

NEWS: INTERNATIONAL

Moscow's mayor thrives in icy waters

Yuri Luzhkov believes he is making headway despite his bitter inheritance, writes Leyla Boulton

MR Yuri Luzhkov inherited three gifts when he took over as mayor of Moscow in June: privatisation which was fast but ineffective, an obnoxious city legislature, and a mountain of corruption allegations.

One year after the abortive coup which he played a prominent role in opposing as deputy mayor, this thick-skinned 55-year-old believes he is making headway on market reforms in spite of the setbacks over the past year.

Since the euphoria over the coup's defeat, many Russians, ground down by the harsh economic reforms which followed, have also come to feel sympathy for the Communist leaders who claim they were only trying to save the Soviet Union.

But Mr Luzhkov opposes calls to let them off.

The mayor, who was appointed for his bravery during the coup to the interim committee which ran the Soviet economy until the country's collapse in December, says: "I am categorically against pardoning them."

We have a responsibility to history. If we want to live in a democratic system, they must be severely punished."

He also rejected increasingly fashionable calls by many politicians and industrial plant managers for the resignation of Mr Yegor Gaidar, the young acting prime minister who launched the painful reforms.

"Gaidar is not the same Gaidar as the man who came to office a year ago. He is a man who has undergone the harshest criticisms... and is no longer just building macro-economic models," he said.

As for his own reform plans for Moscow, Mr Luzhkov disclosed that in a few weeks, he would make it legal for anybody, including foreigners, to buy land outright. This has so far not been possible under national legislation because of fears in the Russian parliament that foreigners will buy up the country. He also pointed to the little-publicised fact that foreigners could now buy flats in Moscow, a right so far reserved for Russians.

On Saturday, the capital will conduct its first auction of buildings

which the bankrupt state building sector has been unable to finish.

He said hard currency proceeds of real estate deals would finance the building of municipal housing for Muscovites who had been queuing for years for their own flat under the old state system. Most of what he does involves riding rough-shod over an antiquated city legislature inherited from the Bolsheviks.

Mr Luzhkov has also dropped the give-away privatisation methods launched by his predecessor, Mr Gavril Popov. It had been fast and had kept work collectives happy, but had made little or no improvement to the quality of goods and services. In some cases, the method justified by Mr Popov to "smash state property at all costs" had made things worse.

A simple man assesses reforms through his pay packet and the situation in the shops. If these become worse, he will decide that market reform is a load of nonsense and that things were better under the Communists. This is alarming.

A number of shops, for instance, had stopped selling basic commodities like bread, and turned themselves into wholesalers of consumer goods for the little retail kiosks which have sprung up all around Moscow as a result of a presidential decree allowing free trade.

He would now try the auction system of privatisation introduced by the government elsewhere in Russia. He would also clamp down on the street sellers despite the continuation of the presidential decree.

He also dismissed allegations of corruption which have dogged him and his colleagues, saying hurtful lies were an additional reason for the resignation of Mr Popov, who said he was stepping down to defend democratic politics at national level.

In a new departure for Russian politicians, who usually do not sue, Mr Luzhkov, who enjoys swimming in sub-zero temperatures, says he has already won the first of six libel suits he has lined up against Russian newspapers.



Yuri Luzhkov: riding rough-shod over antiquated legislature

Health care hit as sanctions hurt Belgrade

By Laura Silber in Belgrade

UNITED Nations sanctions, including an oil embargo, imposed on May 31 against the reconstituted Yugoslavia, are biting hard in Belgrade despite allegations of widespread violations.

The effects are far broader than petrol queues snaking out from the few city filling stations still open.

Amid an overall collapse of the economy, hospitals are among the hardest hit. "All the doctors pray that we won't fall ill because we know there is no way to be cured," says a young endocrinologist in Belgrade.

Dr Sasa Simic, a surgeon who works at one of Belgrade's two hospitals, calls the present state of health care a "catastrophe". Patients are admitted to hospital only if they can supply their own medicine, anaesthetics, bandages, and towels.

"We do not have any material. No sutures, no plastic gloves. Everything we used was imported from the US." Doctors say while medicine is supposed to be exempt from the sanctions, medicines must go through the UN bureaucracy in order to be imported.

A cardiologist who spoke on condition of anonymity said: "The import of medicines theoretically is not banned. But it

is blocked because it is illegal to import packaging."

The shortages have forced doctors into an ethical dilemma: to choose which patients should be allowed medical care. "We now have to reject all patients for elective surgery, operating only on those with cancer or injuries," says Dr Simic. He explains how hernia patients, for example, are told to go home and wait for better days.

Haematologists say the treatment of blood diseases has stopped because diseases such as leukaemia were treated exclusively with imported drugs.

Dr Simic says: "We now have a rise of urinary infections because we no longer have disposable catheters. Infection results because everything must be washed by hand."

An official from the World Health Organisation (WHO) said it would soon be hazardous to drink tap water because Serbia and Montenegro, the sole members of Yugoslavia, can no longer provide the chemicals for purification. Flats in about half of Belgrade for the past five days have been without any water at all.

But Dr Simic says: "Medicine is so hard hit that all other problems - gas queues and shortages - seem irrelevant."

Ukraine's bank chief seeks return to rouble

By Chrystia Freeland in Kiev

UKRAINE needs a "tactical retreat" from the coupon, the republic's faltering quasi-currency, and re-introduction of the Russian rouble, according to Mr Vadim Hetman, chairman of the Ukraine National Bank.

The National Bank of Ukraine is emerging as the strongest proponent of tougher economic policies for the republic, but fears its belt-tightening measures will be opposed by Mr Vitold Fokin, the prime minister.

The showdown could come in September, when Mr Hetman plans to present a tough stabilisation programme to parliament. The struggle will pit the technocrats at the National Bank, who are itching to become members of good standing in the international banking community, against Mr Fokin's insular, Communist-dominated cabinet of ministers, which is struggling to preserve a command economy.

First introduced in January as a stop-gap solution to Ukraine's severe shortage of roubles, the coupon now accounts for 97 per cent of official cash transactions in Ukraine.

However, the government's ballooning budget deficit and lax credit policies have rapidly eroded the value of the coupon from an initial two or three roubles to the current rate of between 60 and 65 kopeks.

"The state of the coupon is a

The manner in which several CIS members are tinkering with the rouble is causing growing alarm to the monetary authorities in Moscow, writes John Thornhill in Moscow.

On Saturday, Azerbaijan announced it was to print a new currency, the manat, to supplement a shortage of roubles circulating in the trans-Caucasian state. Workers will now receive 20 per cent of their pay in manats. The Azeri central bank said it would issue three different denominations of manat bank notes. One manat would be equivalent to 10 roubles.

Other former Soviet republics have also issued parallel currencies, although only Estonia has completely abandoned the rouble - introducing its own kroon.

Many western economists and bankers have argued that a proliferation of national currencies among the republics of the former Soviet Union will only hamper trade within the region.

national tragedy," Mr Hetman said at an emotional press conference over the weekend closed to foreign journalists.

"We took a series of provocative acts against the coupon which no currency in the world could endorse and which no other government in the world could countenance."

Mr Hetman, a hard-headed manager who ran Ukraine's largest commercial bank before moving to the National Bank this spring, outlined a two-part strategy to rescue the coupon. In the short-term, Mr Hetman said: "We must arrange a temporary marriage with the rouble. This is a tactical retreat."

In a move piloted in Crimea last week, Mr Hetman would like to re-introduce the rouble as a parallel currency in mainland Ukraine, where state stores only accept coupons.

In the long term, Mr Hetman wants to restrict the issuing of coupons by putting a ceiling on

NEWS IN BRIEF

Greece lifts controls on top commercial banks

A NEW Greek banking law, which incorporates the European Community's second banking directive, also lifts state controls on the country's main commercial banks, Kerin Hope writes in Athens.

The law abolished the Finance Ministry's right to act as proxy for Greek institutional shareholders who hold a controlling interest in National Bank and Commercial Bank. The two banks together control about 75 per cent of the Greek banking market. The change will permit both institutions to operate independently of government for the first time. It is expected to boost the banks' competitiveness by allowing modernisation programmes to be speeded up.

The law also forbids banks to accrue interest on loans that remain unserviced for longer than 12 months, a normal accounting practice at state-controlled Greek banks.

From 1994, the inflationary practice of obliging the central bank to fund 10 per cent of the budget deficit will be abolished. Next year the Bank of Greece will finance only 5 per cent of the deficit, according to the law.

Spain holds illegal immigrants

Thirty-two Africans were detained yesterday after crossing the Strait of Gibraltar in a small craft, the latest incident involving the steady flow of illegal immigrants entering near the port of Algeciras, AP reports.

Spanish officials said the detainees brought to 126 the number of illegal immigrants from Africa who have been taken into custody in the last week.

Thirty-one of those held were Ethiopians and one was from Liberia, officials said. Thousands of Africans, mainly from Morocco, are believed to have made the dangerous crossing since Spain, to comply with European Community requirements, imposed visa requirements more than a year ago on north Africans.

Three charged in waste scandal

Prosecutors charged three people yesterday in a scandal arising from illegal imports of German medical waste intercepted on their way to French dump sites, AP reports from Paris.

Mr Daniel Thiel, director of the Concordia International waste control firm, and Mr Michel Picard, head of the Société recycling firm, were ordered to be held in custody pending further investigation. The charges against Mr Thiel were not specified. Mr Picard was charged with violating dumping regulations.

A third person, Mr Jacques Peureux, owner of an abandoned quarry near Neuilly-sur-Seine in eastern France, also faces unspecified charges.

Soldiers hurt in Sardinia attack

Six soldiers were lightly wounded in a hand grenade attack that investigators said was meant to intimidate an army brigade conducting a show of force against Sardinian kidnap and bandit gangs, AP reports from Rome.

Investigators said the type of grenade thrown at the soldiers of a mechanised brigade at the weekend had not been used by the army for four years but was available on the black market.



A Georgian national guardsman rests before going into action near Sukhumi

Twenty killed in Georgia as Russian troops fly in

By John Thornhill in Moscow and Agencies

OVER 20 people have been killed in three days of clashes in the breakaway Abkhazia region of western Georgia.

The violence prompted Moscow to dispatch a para-troop regiment to the regional capital of Sukhumi, scene of the worst violence, to help protect its own citizens and help evacuate 1,700 threatened Russian holidaymakers.

In spite of a formal ceasefire between the Georgian authorities and Abkhazia at the weekend, fighting flared again yesterday in Sukhumi.

The fighting first began in the regional capital on Friday, when Georgian troops were deployed there after separatists

kidnapped several officials, including the Georgian interior minister, Mr Roman Gwentadze. All were subsequently released.

The ruling State Council claimed Georgian forces now fully controlled the situation in the west of the country and had arrested 200 suspected members of "bandit groups", the usual term for supporters of the ousted Georgian president Zviad Gamsakhurdia.

The Black Sea region of Abkhazia, famous for its tobacco, tea and beaches, wants to break away from Georgia and effectively declared its independence last month, following a parliamentary vote.

But Georgia has dismissed its claim, arguing that ethnic

Abkhazians represent only a quarter of the population and are outnumbered by Georgians.

On Saturday, Mr Eduard Shevardnadze, the Georgian leader and former Soviet foreign minister, declared Abkhazia to be "an integral part of Georgia" and said forces had been deployed to protect the region from "banditry".

Abkhazian leaders accused him of launching an invasion.

Bands of armed Abkhazians, a Caucasian ethnic group who are heavily outnumbered by Georgians even in Abkhazia, have fought fierce clashes against what they regard as Mr Shevardnadze's invading army.

Top Georgian and Abkhazian officials renewed talks on

restoring order to the city yesterday as their forces withdrew to create a buffer zone of some 4km.

But isolated bursts of machine-gun fire rang out across the city yesterday, where Georgian patrols were stopping local cars in an apparent search for arms.

The Abkhazian dispute is the latest in a series of fierce ethnic battles in the former Soviet Union.

In an attempt to help contain such conflicts, seven members of the Commonwealth of Independent States signed an accord on Friday to establish a joint peace-keeping force.

Tar-Tass news agency reported that the specially trained force could only be deployed with the agreement

of the council of CIS leaders and the various parties involved in a particular conflict. The agreement was signed by Russia, Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, Armenia and Moldova, although four other states may also join before next month's CIS summit.

This weekend, Mr Mikhail Gorbachev, the former president of the Soviet Union, warned of the dangers of massive upheaval unless the CIS member states developed stronger links.

Writing in Saturday's edition of La Stampa, the Turin daily newspaper, Mr Gorbachev commented: "If the Commonwealth fails truly to develop, then all will have to fight each other. All borders will become objects

of dispute, all the parties involved will be in conflict. We will find ourselves faced with a situation of extreme danger, which could develop into a war of vast proportions," he said.

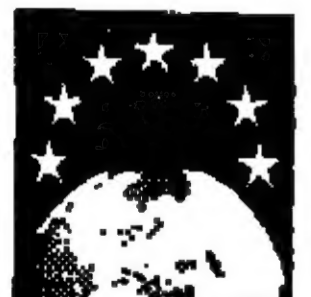
Russia's air traffic controllers abandoned a brief strike yesterday in the face of public hostility and the "catastrophe" they claimed was threatened by the government calling in replacement military controllers.

Saturday's strike disrupted a few domestic flights to Moscow, St Petersburg, Omsk, and Volgograd, but international connections were largely unaffected.

All Russia's airports were operating normally last night. The controllers had been demanding a big pay rise.

Bulldozers try to clear a path through mountains of rules

Andrew Baxter looks at the uphill struggle to shift the obstacles to cross-border sales of construction equipment



THE EUROPEAN MARKET

ASK a construction equipment man to pick out a German wheeled loader from a yard full of similar equipment and he will find one in less time than it takes to say "homologation".

The German wheeled loader will be the one with the wheel chocks screwed on, or close to, the steps up to the cab. Germany is the only country which requires chocks on its loaders for use in case of brake failure. "They're waiting for something that never happens," says one senior UK executive.

Little more than four months before the introduction of the European Single Market, progress towards a true single market in construction equipment matches that of an overloaded dumptruck struggling up a muddy hill. The engine is running, but the final destination is a long way off.

It is not just details such as wheel

chocks and lighting specification differences which irritate the big construction equipment producers, and add to production costs. "We've got machines lying around in the UK which could easily be sold in Germany if they were adapted to German standards," says Dr Frithjof Timm, president of Komatsu Europe.

Producers, in fact, do regularly bring unsold equipment back to their factories to refit them for a different European market, but this is both inefficient and demoralising, says Mr Tuve Johannesson, president and chief executive of Brussels-based VME Group.

Unfortunately, though, some national regulations defy minor re-engineering. On Italian roads, for example, there is a 2.5m width restriction for construction equipment; consequently, it can be a lot easier for an Italian producer to sell its equipment in the UK than vice versa, says Mr David Barrell, director-general of the UK's Federation of Manufacturers of Construction Equipment & Cranes.

Behind the complexity lies the thorny issue of homologation - modifying a piece of construction equipment to conform to national legal and market requirements without changing the overall design.

These requirements are often more exacting than the two main recognised sets of standards - the SAE (Society of Automotive Engineers) and ISO (International Organisation of Standardisation) standards.

Multinational producers claim, with some justification, that the hidden purpose of homologation has been to protect national industries and markets from foreign encroachment. It has thus contributed to the chronic overcapacity, fragmentation and duplication of effort among European suppliers.

Cutting through the morass of conflicting national regulations and specifications is, of course, a key aim of the Single Market programme, and a start has been made. The EC's basic Machinery Directive was adopted in 1989, and subsequently amended

to include mobile machinery. Even at this late stage, discussions are still continuing on a second amendment related to lifting equipment. Agreement could be reached by the end of the year for adoption in May or June next year, completing the "Machinery Package".

For the main equipment suppliers, the directives are fine - as far as they go. Caterpillar, the world's largest producer, is pleased by the progress made, and notes particularly that the standards backing up the directives are clearly based on the ISO norms.

But there are problems. Apart from some unease in the industry over the pace at which national governments will introduce the necessary enabling legislation, there is concern that a mandatory directive, which is deliberately framed in general terms, is backed up only by voluntary standards. These are being drawn up under the aegis of CEN, the European standardisation organisation.

This raises a serious question

about the enforcement of the directive. The precedents are not promising: one supplier says an EC directive on noise omission from certain types of construction equipment, introduced in January 1989, virtually outlawed a particularly irritating French homologation requirement, but there is no evidence of the directive being policed.

The biggest problem with the Machinery Directive, however, is its scope. It was designed to concentrate on safety at work, with the result that what the industry calls "job-side" specifications are covered, while "road-side" rules are not.

Although there is some frustration, especially in the UK, that the two elements were not considered simultaneously, the inclusion of road regulations would undoubtedly have caused further delays, because of the need to consult many different levels of highway authorities.

The result, therefore, is that, despite pushing by the UK - only preliminary work has been carried out at EC level on harmonising road

regulations on widths, weights and specification details. "The rest of the load has yet to be worked on," says Caterpillar.

With most observers predicting slow progress towards harmonisation of road standards, the implications for the industry are significant. Germany is generally regarded as the toughest market for homologation, with every detail of a machine tested by the TÜV road safety body, for compliance, from the reflector plates to engine output.

But homologation has transformed Germany into a market for an expected 45 per cent of European construction equipment sales this year, up from a stagnant 18 per cent in 1989, according to a Corporate Intelligence Group forecast last week.

Importers to Germany have always suspected their machines are scrutinised for road regulation compliance rather more closely than those of home-produced rivals. Having a manufacturing presence in Germany has never been more

important.

The Financial Times (Europe) Ltd. Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Wilhelmstrasse 10, D-6000 Frankfurt am Main 1, Germany. Telephone 49 69 156450; Fax 49 69 1564481; Telex 410193. Represented by: E. Hugo Maasberg, Director, Printer: DVM GmbH-Druckerei International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1992.

Registered office: Number One Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited; The Financial Times (Europe) Limited. Publishing director: J. Rolly, 140 Rue de Rivoli, 75004 Paris, France. Tel: (01) 4297 9601; Fax: (01) 4297 9629. Editor: Richard Lambert, 140 Rue de Rivoli, 75004 Paris, France. Tel: (01) 4297 9601; Fax: (01) 4297 9629. ISSN: 1142-7273. Commission Paritaire No 67980.

Financial Times (Scandinavia) Vinnveiskätor 42A, DK-1164 Copenhagen K, Denmark. Telephone (33) 13 44 41. Fax: (33) 23 33 33.

Call to curb... (partially visible)

Angolan parties... (partially visible)

NEWS: UK

Tories face
spilt on EC
and economyBy Philip Stephens,
Political Editor

The unease among Tory party activists about the depth of the economic recession has been confirmed in a series of critical motions tabled for debate at October's party conference.

But senior party officials are drawing comfort from assurances by Lady Thatcher that she has no plans to use the conference to launch a broadside on her successor's approach to the economy and Europe.

The draft agenda for the Brighton conference, leaked at the weekend, contains several dozen motions from constituency activists which are openly or implicitly critical of the government's handling of the economy and Europe.

Most of economic motions back the government's determination to defeat inflation, but

there are also calls for the withdrawal of sterling from the European exchange rate mechanism to allow interest rates to be cut sharply.

A small number of motions suggest outright rejection of European union in the wake of the Danish referendum, backing Lady Thatcher's call for a similar plebiscite in Britain.

The debate on Europe will be subsumed in a much wider discussion of foreign policy to ensure that Mr Douglas Hurd, the foreign secretary, cannot be "ambushed" by a vocal minority of Euro-sceptics.

Privatisation policy could net £8bn

By David Owen

THE GOVERNMENT is likely to be able to raise more than the £8bn budgeted for privatisation proceeds, giving it scope to consider raising additional funds to help curb its rising deficit.

A combination of cash received and funds due from sales that have taken place is set to yield £6.74bn of the targeted £8bn for 1992-93.

A further £1bn is to be raised from the sale of government loans made to privatised utility companies, including BT and the electricity sector, taking it

to within £250m of the target figure.

This could be covered by the repayment of part of a further £650m tranche of electricity company debt. The government has the option of taking this on to its books either in 1992-93 or 1993-94, providing it with a degree of flexibility in its forward planning.

The Treasury is not thought to be pushing for extra privatisation cash this year, over and above the budgeted £8bn. But pressure to drum up more money could mount if the public sector borrowing requirement moves too far above the £28bn forecast.

The government will not officially revise this forecast ahead of the autumn statement in November, but a deficit of well over £30bn is widely expected because of the severity of the recession and its impact on public spending and tax revenues.

The Treasury would be reluctant to take privatisation proceeds that would otherwise accrue in future years, simply to maximise the present year's takings. But analysis of debt and equity assets still owned by the government in privatised companies suggests it could comfortably realise the £11bn of pro-

ceeds budgeted for during the next two financial years.

The government's most valuable stake in a private sector company is its 22 per cent of BT, which could raise more than £1bn.

The completion of the £19bn budgeted programme over the three years commencing 1992-93 - equivalent to the projected budget of the Home Office over the period - would bring to more than £60bn the sum raised since the first year of the Thatcher administration in 1979-80, when disposals totalled £377m.

Family silver prepared for final auction

THERE IS not much family silver left in the cupboard. Excluding British Coal and British Rail, which are earmarked for sale, and the Post Office, whose status is under review, the Treasury's list of nationalised industries comprises just six names.

These range from the probably unsellable Nuclear Electric to Caledonian MacBrayne, the shipping line whose objective is to "provide cost-effective lifeline services to remote island communities." The era of privatisation in Britain is drawing to a close.

But it is surprising how much the government still has locked away for a rainy day. An analysis of its remaining debt and equity holdings suggests it should have little difficulty raising the £19bn in privatisation proceeds it has budgeted for the three years commencing 1992-93.

This would bring to more

than £80bn the sum raised since the experiment got under way with £377m of disposals in the first year of the Thatcher administration in 1979-80.

The conclusion that the £19bn is within easy grasp assumes the government would be prepared to sell its remaining stakes in British Telecommunications and the two electricity generating companies by April 1993. But it does not take into account any proceeds from the latest batch of proposed privatisations.

Just four months into the three-year period in question, as much as £3.6bn is already in the kitty. This has been generated as follows: £835m from the second instalment payment relating to the sale of the Scottish electricity companies; £1.915bn from the second BT instalment; £350m from the disposal of Northern Ireland Elec-

tricity; and £250m from the repayment of the last tranche of British Gas debt, with the balance derived from other odds and ends.

A further £3.975bn will accrue by 1993-94 from more scheduled instalment payments on share sales completed some time ago. The payments in question are: £1.465bn due in September from the sale of the regional electricity companies; £1.675bn due next March from BT; and £365m due a month later from the disposal of the Scottish electricity companies.

Another £650m relating to the repayment of debt owed to the government by the recently privatised electricity industry will be credited to its account at the latest by 1993-94. The government also owns a £4bn-plus portfolio of marketable debt that is owed by the privatised utility companies. The loans range in size from

£350m to less than £50m; maturities stretch to the year 2006. About half of the debt is in the form of BT loan stock which yielded about £450m of income over the seven years to 1990-91.

Last month Baring Brothers, the merchant bank, was appointed to advise the Treasury on how most advantageously to sell its loans, with the aim of raising about £1bn in this financial year.

Finally, the government still owns more than £7bn in ordinary shareholdings in private-sector companies (see table).

By far the most valuable stake is the residual 22 per cent holding in BT, which alone would raise well over £4bn if put on the block. The roughly 40 per cent interests in National Power and PowerGen, the two electricity generating companies, are together worth just under £2bn.

All of this is not to suggest that meeting that £19bn target

- equivalent to the projected budget of Mr Kenneth Clarke's Home Office over the three years to 1994-95 - will be entirely plain sailing.

The recent stock market slide has wiped more than £500m off the value of the government's ordinary share holdings in the space of 11 weeks, with its 1.9 per cent stake in British Petroleum now worth more than 30 per cent less than in late May.

Meanwhile, the attempted sale of the marketable debt portfolio has been described as one of the most teasing corporate puzzles since the privatisation programme was hatched.

If sold direct to investors, the high-yielding paper would need to be priced well above face value - a fact calculated to put off many UK buyers because of the tax implications of buying bonds above par.

David Owen

Britain in brief

Slump looms
for small
businesses

THE recession has turned into a slump and will continue to beset the British economy for at least another two years, according to a report published today by Albert E Sharp, the stockbroker. It says UK engineering companies are now unquestionably more competitive than at any time in the last 20 years and are capable of performing strongly in world markets.

There has been "a quiet revolution" in Britain's engineering sector which leaves it well placed to take advantage of any upturn in the economy, according to a report published today by Albert E Sharp, the stockbroker. It says UK engineering companies are now unquestionably more competitive than at any time in the last 20 years and are capable of performing strongly in world markets.

Almost half the companies contacted saw no improvement in projected turnover levels before the end of 1994.

New Lloyd's
chief named

Mr Peter Middleton, chief executive of Thomas Cook, the travel subsidiary recently sold by Midland Bank, is expected to be appointed as the new chief executive of Lloyd's of London, the insurance market, in the next few weeks.

The role of the chief executive is being fundamentally restructured to focus on "business development" in line with recommendations from both the Lloyd's task force report issued in January and in the report chaired by Sir Jeremy Morse released at the start of July.

Scepticism on
accounts

Less than one-fifth of analysts and two-fifths of shareholders believe annual reports give a "true and fair view" of a company, a new survey has shown.

While 80 per cent of finance directors believe in the accounts, even 60 per cent of investor relations consultants - who are often intimately involved in the preparation of the reports - were not confident that they fairly represent a company's financial position. The survey of more than 300 finance directors, analysts, shareholders and investor relations staff was conducted for McBride's, a design consultancy firm, in April and May this year.

Unions urge
EC initiative

The Trades Union Congress has appealed to Mrs Gillian Shephard, UK employment secretary, to use Britain's current presidency of the European Community to call an emergency EC summit to discuss

ways of tackling the Community's growing jobs crisis.

Mr Norman Willis, TUC general secretary, says in a letter to Mrs Shephard that unemployment is now the EC's dominant domestic concern but there is no forum where it can be discussed between governments and the social partners (unions and management).

Revolution in
engineering

There has been "a quiet revolution" in Britain's engineering sector which leaves it well placed to take advantage of any upturn in the economy, according to a report published today by Albert E Sharp, the stockbroker. It says UK engineering companies are now unquestionably more competitive than at any time in the last 20 years and are capable of performing strongly in world markets.

Parcels sale to
be co-ordinated

The government is considering co-ordinating aspects of the sale of the two parcels businesses that it has decided to privatise.

Mr Michael Heseltine, trade and industry secretary, and Mr John MacGregor, transport secretary, are to discuss the timing of the disposals, which will transfer both Parcelforce, the Post Office's delivery service, and British Rail's parcels division to the private sector.

Tec spending
needs assessed

Chairmen of the 82 Training and Enterprise Councils are being canvassed individually by the government over their spending priorities should there be large-scale cuts in their budgets next year.

The 10 regional directors of the Department of Employment, Training, Enterprise and Education Department (Tees) are seeking to gain the fullest possible brief on Tecs' response to possible cuts.

Brink's-Mat
jury reconvene

The jury in the Brink's-Mat trial will reconvene today to consider verdicts on two people accused of laundering proceeds from the £14m bullion robbery.

Two of the accused - Gordon Parry and Patrick Clark - were convicted at the weekend. Parry, was convicted of 10 charges of handling but cleared of an 11th. Clark was convicted of conspiracy to handle. Clark's son Stephen was acquitted of taking part in the plot to launder profits from the 1983 robbery.

The jury has yet to reach verdicts on tobaccoist Jean Savage and taxi firm owner Brian Perry. All the defendants had denied charges of handling and conspiracy to handle proceeds from the raid.

Banks suffer as
international
economy weakens

By Andrew Jack

LEADING international banks suffered from weakening profitability and worsening asset quality during the 1980s, according to an article in the Bank of England's quarterly bulletin published today.

The banks lent money to less developed countries and the property sector and became involved in highly-leveraged transactions based on expectations that benign economic conditions would continue, it argues.

The bulletin suggests adjustments to new deregulation and greater competition may have led to "misjudgments in the assessment and pricing of risk". It adds, however, that it is very difficult to compare levels of international profitability because of differences in accounting and taxation.

The Bank of England paper lists four moves by the banks made in response to increased economic pressures:

- improved capitalisation and better risk-pricing; driven by the 1988 Basle capital adequacy guidelines, banks have taken measures such as increasing debt and equity issues, borrowing on a wider range of markets, and increasing spreads and fees;

- international retrenchment: factors including the impact of third world debt and the deterioration in overseas markets of corporate and property loan portfolios have driven many banks to contract their foreign operations with disposals and a reduction in lending;

- a shift to non-interest earnings; greater involvement in fee-based retail and securities business, driven by competition from capital markets and non-banking institutions;

- cost control: cutbacks in staff and branches, the introduction of new technology and mergers and acquisitions over the last two years have contributed to improvement in earnings.



Work is underway on the final phase of the £450m new British Library. This includes the new reading room and the building's centrepiece, a six-storey, glass-

walled tower which will house the King George III collection of books and manuscripts. The project, under construction for more than 10 years ago, will not be com-

pleted until 1996. The new British Library will allow the public access to 12m volumes. It is expected to attract more than 1m visitors each year.

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (ECU). The ECU exchange rate shows the number of national currency units per ECU. The nominal effective exchange rate is an index with 1985 = 100.

UNITED STATES										JAPAN										GERMANY										FRANCE										ITALY										UNITED KINGDOM																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
	Exports	Imports	Trade balance	Current account balance	Service account balance	Effective exchange rate	Effective exchange rate	Effective exchange rate	Effective exchange rate		Exports	Imports	Trade balance	Current account balance	Service account balance	Effective exchange rate	Effective exchange rate	Effective exchange rate	Effective exchange rate		Exports	Imports	Trade balance	Current account balance	Service account balance	Effective exchange rate	Effective exchange rate	Effective exchange rate	Effective exchange rate		Exports	Imports	Trade balance	Current account balance	Service account balance	Effective exchange rate	Effective exchange rate	Effective exchange rate	Effective exchange rate																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													
1985	279.8	-174.2	-159.7	0.7633	100.0	230.8	76.0	64.5	180.50	100.0	242.5	33.3	21.7	2,226.0	108.8	133.4	-3.6	-0.2	6,794.2	100.0	103.7	-16.0	-6.4	1,443.0	100.0	132.4	-5.7	0.7	0.5890	100.0	105.3	-14.2	-1.4	0.5708	101.6	120.9	-32.3	-24.3	0.6643	95.6																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
1986	230.9	-140.6	-150.0	0.836	100.0	211.1	66.2	66.9	165.11	124.4	248.6	53.5	40.3	2,177.9	108.8	127.1	-0.0	3.0	6,794.8	102.8	92.4	-2.5	-1.4	1,461.8	101.4	105.3	-1.2	0.1	0.5708	101.6	120.9	-32.3	-24.3	0.6643	95.6	120.9	-32.3	-24.3	0.6643	95.6																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
1987	220.2	-131.8	-141.6	1.1541	70.3	197.3	66.1	75.5	166.58	133.2	254.3	36.7	39.8	2,071.0	115.3	128.3	-4.8	-3.7	6,925.5	103.0	100.7	-7.5	-2.1	1,464.3	101.2	112.3	-1.4	0.1	0.5708	101.6	120.9	-32.3	-24.3	0.6643	95.6	120.9	-32.3	-24.3	0.6643	95.6																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
1988	272.5	-100.2	-107.0	1.1833	60.0	219.8	90.7	86.6	151.51	147.3	272.6	61.8	42.9	2,073.9	114.6	141.9	-3.9	-3.4	7,035.4	100.8	108.3	-8.9	-8.0	1,598.8	97.8	120.9	-32.3	-24.3	0.6643	95.6	120.9	-32.3	-24.3	0.6643	95.6	120.9	-32.3	-24.3	0.6643	95.6																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
1989	330.2	-95.3	-91.8	1.1017	60.4	245.3	70.5	52.4	151.87	141.9	310.2	65.2	52.2	2,068.1	113.5	162.9	-6.3	-3.6	7,018.9	99.8	127.5	-11.3	-14.0	1,509.2	96.6	137.0	-36.7	-32.3	0.6728	92.6	137.0	-36.7	-32.3	0.6728	92.6	137.0	-36.7	-32.3	0.6728	92.6																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
1990	320.0	-78.3	-70.9	1.2745	65.1	220.0	50.1	28.3	183.94	126.9	324.6	51.7	37.0	2,053.7	119.1	170.1	-7.2	-7.2	6,920.2	104.8	133.6	-9.3	-19.4	1,383.2	100.6	142.3	-26.3	-23.8	0.7160	91.3	142.3	-26.3	-23.8	0.7160	91.3	142.3	-26.3	-23.8	0.7160	91.3																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
1991	340.9	-62.3	-3.0	1.2391	64.5	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0	166.44	137.0	247.5	63.2	59.0

(To talk business to 300,000 influential Russians, call +44 71 873 4797)

LONDON • PARIS • FRANKFURT • NEW YORK • TOKYO

MANAGEMENT

On the last Friday in July 19,000 British Telecom employees across the UK cleared their desks, said goodbye to their colleagues and left work for the last time.

Over the coming months thousands more will join this exodus: the company calculates 33,000 of its 210,000 workforce will go during this financial year.

The sheer scale of the redundancy programme has been unmatched by anything else in British industry in a single year since the coal-field closures of the 1980s.

The opportunity to shed staff has been presented by technological advances, stimulated by competitive pressures and the example of US telecommunications companies' lean staffing. However, greatest of all has been pressure on the bottom line: pre-tax profits in the quarter to June fell nearly 30 per cent, and the pressure will continue now that BT has been forced by its regulator to adopt a stricter pricing regime.

The job cuts are also set to continue. By 1993 the workforce may well have dropped to 130,000 employees or fewer - a 38 per cent reduction on numbers at the beginning of this financial year. Even more remarkable than the scale of the operation is the fact that all redundancies have been voluntary.

Indeed, the exit package offered by BT has been so popular - it was more than 50 per cent oversubscribed - that a new piece of jargon has passed into industrial relations language. Union leaders at BT now complain of "compulsory retention" where they once spoke of the threat of compulsory redundancies.

The main BT union, the National Communications Union, has moved a long way towards accepting the inevitable in the days when it tried to fight privatisation with industrial action it would certainly also have been manning the barricades over job losses on the current scale.

Instead, the NCU speaks with

With 45,000 of its staff applying for voluntary redundancy, BT has had to be selective, says Diane Summers

Will you hold?

pride about the terms of the package it has negotiated. The NCU's membership will be decimated but its leaders console themselves with having achieved what Tony Young, general secretary, calls a redundancy package that is "one of the best in the UK".

Release 92, as the package is called, is made up of the following elements:

- Redundancy compensation of up to three years' pay, depending on age, length of service and which of two pension schemes an individual belongs to.
- Pension and pension-related lump sum, dependent on the same criteria.
- Early-leaver bonus of 25 per cent of annual pay for those who left before or during July. Employees leaving before October get bonuses on a sliding scale of between 10 and 20 per cent of pay.
- Pay in lieu of notice for those who left before the end of July.
- Counselling and outplacement services to identify skills and training needs, and provide advice on preparing CVs. "Job shops" provide details of vacancies, word processors and telephones.
- Retraining costs of up to £1,000.
- A tie-up with two employment

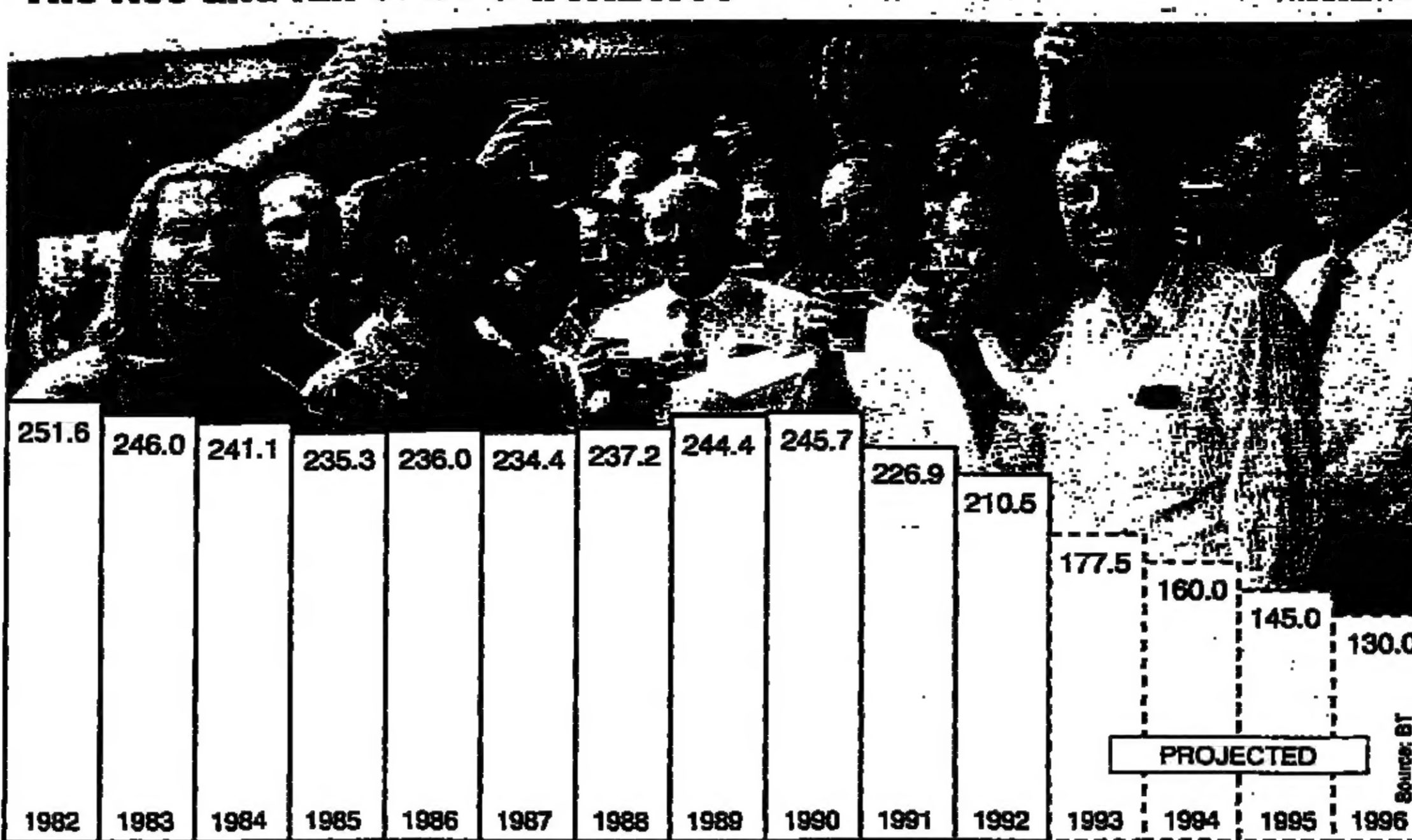
agencies - Skillbase for managers and professionals, Manpower for engineers, operators and clerical staff - providing opportunities for temporary work within BT and other telecoms companies.

Payments to some employees quitting the company will be as high as £100,000 plus pension entitlement, although pay-offs of around £30,000 are more common. Overall, BT estimates the deal will cost more than £1bn.

Expensive but successful - that is the official BT verdict on Release 92. However, behind the scenes the company is attempting to answer some awkward questions about whether the package was pitched at the right level. It also has to deal with what it admits are continuing severe morale problems and a complex redistribution of the workforce.

Judging from the demand from employees to leave, it appears that in the management's anxiety to recruit enough volunteers, and win union support, the deal was overgenerous. The final figures speak for themselves. Some 29,000 employees are being allowed to leave (the balance of job losses will come from natural wastage and the sale of

The rise and fall of BT's workforce



some businesses). However, nearly 45,000 applied to go.

Demand was whipped up to some extent by management warnings that the generous terms of Release 92 would never again be available. It was also made clear that more jobs would go over the next two or three years. Poor morale born of constant policy changes and insecurity about future prospects, say the unions, was another factor which inflated demand.

It has been claimed that many employees were misled about their chances of being able to collect the redundancy package and start new lives. The NCU is supporting appeals by employees who, for example, took leave on business premises and raised loans in the expectation - allegedly fuelled by their line managers - that they would be able to leave under Release 92. Says Young: "They cre-

ated a climate of expectation they couldn't hope to fulfil in the end." Michael Jeffer, group managing director, told staff last month: "We have said repeatedly... that BT could not undertake to release everyone who asked to go, but with hindsight, we should have reinforced this message at every one-to-one interview."

Young claims that, as the cut-off date of July 17 approached, Release 92 "spun out of control". When it became clear that take-up had been seriously misjudged, managers were given the invidious job of rejecting candidates who showed merit.

An internal memo at the time made it clear that certain categories of applicant should be retained. Those whose appraisals had marked them out as sound performers with potential for promotion, for example, were rejected. Those with long service (the most expensive to pay

off) were also less likely to get through. Unions complained that employees were being punished for being loyal and capable.

It was decided at the last minute to extend Release 92 to 8,500 more employees than had originally been intended. David Scott, BT's industrial relations manager, denies the programme was out of control but concedes there was "certainly a lot of quick thinking going on".

Now BT is turning its attention from those clearing their desks to those who will remain. The priority is maintaining customer service: last time staff numbers were cut, following privatisation, consumer complaints soared and recruitment had to be increased again. Redeployment to fill some of the worst gaps is now urgent, as is restoring morale among the 16,000 staff who thought they would be attending their own leaving parties this year.

More than your job's worth

IF YOU could have your time again, would you choose to struggle up the same ladder? Some 40 per cent of British managers are not so sure, reckoning that the costs in terms of lost free time are so high that it is not worth it.

Indeed, only 3 per cent of executives feel that on the way to the top, they have not made any sacrifices at all.

The survey, carried out by Robert Half, the recruitment consultants, shows that many managers also fear that their work is having a nasty effect on their personalities: it is making them less likeable, ruining their relationships at work, and getting in the way of their friendships. Above all it is damaging their home life - one in five reckon the effect is serious.

Has the problem always been this bad, the difference being that only now managers are happy to talk about it? To judge by the survey, the pressures do seem to be increasing. It seems that the move to cut out several hundred thousand middle managers in the UK has served to increase the pressure on those that remain. Many of those who took part in the survey noted that their workloads had increased, and were continuing to do so. Furthermore, almost half had felt that their jobs could be next to go.

Apparently, managers realise they are not alone in their suffering. On average, they estimate that 70 per cent of executives in their organisations are also victims of stress, a problem made worse by recent waves of redundancies. The most common signs are bad temper and irritability, although the symptoms identified ranged from nervous breakdowns and heart attacks at one extreme to rattling teeth at the other.

The survey suggests that rather than tackling managers' problems through changes in work patterns, many companies are instead concentrating on treating the symptoms. Consequently, the management of stress is becoming big business. One executive said that following two nervous breakdowns among managers at his company, a special agency dealing with stress and its problems had been taken on, and executives who seemed to be bending under the stress were being sent off to private clinics for a rest cure.

Diane Summers

Lucy Kellaway

One switch after another

LISE Bockhart is swapping her computing job at British Telecom for the exotic occupation of aromatherapist, using fragrant oils and massage to treat stresses and ailments.

Her choice of a new career may be unusual but the voluntary redundancy package she has picked up from her employer is fairly typical of the terms of Release 92.

A lump sum of £21,000 includes the maximum "early leaver" bonus and money in lieu of notice. She

also gets £1,000 towards the cost of her retraining. Bockhart, aged 31 and with a son of five, had worked for BT for eight years and was earning £17,000 when she left at the end of May.

She says she "moved very quickly" when she heard about the package: out of her 30 immediate colleagues, six have left under the scheme but a further four have been refused.

Her Hertfordshire-based job was on BT's internal computer "help

desk", taking about 200 enquiries a day and problem solving over the telephone.

Before that, Bockhart was a senior data processing officer - a job which gave her greater opportunities for overtime and shift payments.

If morale within the company had not been so low and future job prospects so insecure, Bockhart says she would not have gone for voluntary redundancy. "I knew our site was threatened with closure."

"Other sites have been moved to the far reaches of Scotland where labour is cheaper. It would have been impossible to relocate," she says.

Bockhart expects to be qualified as an aromatherapist by the New Year and wants to work freelance from her home in St Albans. "I've left a stressful working environment. Now my job will be to treat others who are still there," she says.

Diane Summers

Lucy Kellaway

Smalley



Telephone (0778) 426426

Expansion at London hospital

A 13.7m contract to construct two buildings in the grounds of Hammersmith Hospital in west London has been awarded to MOWLEM SOUTH EAST, a division of John Mowlem Construction.

The larger of the two is an eight-storey 9,500 sq metre clinical research building for the Medical Research Council. The building will have six storeys of fully fitted laboratories for research into the basic science of disease, with two storeys of plant above.

The second is a three-storey 3,500 sq metre cancer centre for the Hammer Cancer Trust. This will have treatment rooms and wards grouped around a central atrium.

Research centre

Two contracts totalling nearly £9m - both for organisations moving to Swindon - have been won by TARMAC CONSTRUCTION.

A £4.5m research and technology centre is to be built for National Power on the Windmill Hill Business Park currently being developed by St Martin's Properties.

Tarmac's second contract, valued at £4.3m, is to build an archive store for The Royal Commission on the Historical Monuments of England which is moving its headquarters from London to Churchward.

Binfield Manor

JOHN LELLIOTT CONSTRUCTION GROUP has been awarded a total of £18m worth of contracts including the £6m restoration of Binfield Manor, Forest Road, Binfield, Berkshire.

Work on this Grade II listed building involves stripping out, installation of M & E services and fitting out, including marble floors and carved wood modelling.

BUILDING CONTRACTS

£22m Merseyside hospital plan

AMEC BUILDING, which recently changed its name from Fairclough Building, has been awarded contracts totalling in excess of £52m.

The total includes a £22m design and build contract for the Liverpool Obstetric and Gynaecology Services NHS Trust, to construct a women and babies hospital in Liverpool.

The company will commence construction of the 263-bed hospital in September, with completion anticipated early in 1995.

Located on a 13 acre greenfield site in Liverpool 8, the

hospital will contain an obstetric and gynaecology centre incorporating five theatres, general ward and day ward departments together with patient residence accommodation and conference facilities, all with full support and administration facilities.

The first hospital to be built on Merseyside for almost two decades, the three-storey building will be constructed in just 30 months.

It will replace the Liverpool Maternity Hospital, Mill Road Maternity Hospital, the Women's Hospital in Catherine Street, Liverpool and depart-

ments currently housed in the Royal Liverpool University Hospital.

At Plymouth, AMEC Building has been awarded a £10.4m contract to construct student accommodation buildings for the University of Plymouth.

The contract, which is for construction of a total of 84 flats, will provide 430 accommodation units for students, 162 of which will have shower en suite facilities.

Residence blocks will also include a 250-seat lecture theatre, seminar rooms, warden accommodation, a refectory and a basement car park.

New shopping centre for Edinburgh

BOVIS CONSTRUCTION (SCOTLAND), a P&O company, has been appointed project manager for the building of the £34m Gyle Shopping Centre in Edinburgh.

The development is being jointly undertaken by Edinburgh District Council, Gazeley Properties, and Marks & Spencer.

The external car parks will accommodate 2,835 cars and a

dedicated petrol station will also be provided as part of the overall development.

Work has already commenced on site and along with the completion of the Gogar underpass and road improvements, the centre is scheduled to be operational by Christmas 1993.

Residence blocks will also include a 250-seat lecture theatre, seminar rooms, warden accommodation, a refectory and a basement car park.

Concert hall venue in Basingstoke

COSTAIN BUILDING & CIVIL ENGINEERING has been awarded the £9.5m management contract for the construction of a concert hall in Basingstoke, for Basingstoke and Deane Borough Council.

The building will provide a main auditorium to seat 1,400 people and will cater for a full

symphony orchestra. A second hall will provide a more intimate setting, to complement the main auditorium or to host separate events.

The structure consists of piled concrete foundations, partial basement and a structural steel frame superstructure. The external envelope is

a composition of three types of cladding: glazed curtain walling, traditional brick and rain screen walling of lightly profiled metal cladding, which is also being used on the roof.

A pedestrian bridge over Churchill Way will link the entrance courtyard to public areas nearer the town centre.

Port Dinorwic bypass development

The award by the Welsh Office of the 5.3 km Port Dinorwic bypass in north Wales boosts the workload of MORRISON SHAND CIVIL ENGINEERING in the north west of England and north Wales by some £7.5m.

Work has begun on the bypass, which is single carriageway with crawler lanes on the up gradients.

The route, which runs parallel to the Menai Straits, involves the excavation of 500,000 cu metres of material

of which 250,000 cu metres is rock. The project includes three overbridges and three underbridges as well as three underpasses. In addition there will be three reinforced concrete retaining walls and extensions to box culverts.

Mixed batch for Miller Construction

Contracts totalling nearly £10m have been won by MILLER CONSTRUCTION during July.

Less than four months after securing the £7m contract to build a 332-bed student accommodation unit at St Andrews University the company has won the £2.5m contract to increase the size of the development to take 537 beds.

Contracts worth a total of £1.3m will involve the company in carrying out laboratory alterations at Ninewells Hospital, Dundee and at the Western General Hospital, Edinburgh refurbishing and enlarging the oncology department.

The cost of the latter contract to improve and increase reception, consulting and waiting areas will be jointly funded by the Lothian Health Board and the Macmillan Trust, a charity involved in the

care of cancer patients. A £2.2m contract will see the company carry out the alteration and enlargement of the Capital Moat House Hotel on Edinburgh's Corstorphine Hill.

The Port of Leith Housing Association has placed a £2.6m contract for Miller Construction to build 67 sheltered homes for elderly people. Work has also begun on a £430,000 sports and leisure facility for Dumbarton District Council.

PEOPLE

Home help Benyon

How would George Peabody have tackled the problems of London's homeless if he had been alive today? This is a question that William Benyon, the former Tory MP, will be increasingly asking himself as he takes up his new job in January as chairman of the Peabody Trust, London's largest housing charity.

The problems of London's poor have changed considerably since George Peabody, the one-time supposedly heartless American banker, suddenly disarmed his many critics by setting up the Peabody Trust in 1862 with a £500,000 donation. However, the trust, which houses 25,000 Londoners on some 70 Peabody Estates, has not moved with the times as quickly as it might.

A paternalistic organisation, for many years Peabody's main motivation seemed to be to keep the rents on its properties as low as possible. To this extent it has been very successful with average rents for two-bedroom houses ranging from £25 in Haringey to £48 in Ealing.

However, Benyon, who takes over his unpaid role from Hugh Astor, hopes that Peabody can come to play a far bigger role in tackling poverty generally, rather than just providing cheap housing.

The problem is balancing the costs of a £200m ten-year modernisation of Peabody's existing old properties with wider plans to help the homeless and disadvantaged. He says that he has a number of ideas but refuses to be drawn on them because "negotiations are very ticklish at the moment."



providing cheap housing. The problem is balancing the costs of a £200m ten-year modernisation of Peabody's existing old properties with wider plans to help the homeless and disadvantaged. He says that he has a number of ideas but refuses to be drawn on them because "negotiations are very ticklish at the moment."

Withdrawing from Wescol

Alan Riddle and David Sutton, who joined the board of USM-quoted steel fabricator Wescol in May, have resigned already, as the stock market turned sour and general business confidence dropped, putting an effective halt to expansion plans.

Riddle, 50, and Sutton, 39, had set up in business together in 1988, when they both left Tarmac. Having developed an interest in niche building material products, including a controlling stake in a security shutters and grills business, they were keen to merge with Wescol, which they had identified as a well-managed company, albeit in a problem sector.

"We thought we had seen a window of opportunity to raise money and build it up." But they had underestimated the grave problems afflicting the sector - with structural steel and building components combine Ward Group, for instance, going into administration about the time the pair joined Wescol. The climate for right issues also "fell off a cliff", as Sutton puts it.

The previous Wescol chairman John Hicks had resigned in May over an unrelated matter. Riddle and Sutton had lined up "a well known figure in construction and engineering" to chair what should have been an expanding business. But with their plans dropped, Barry Anyas, a non-executive director since 1987, and acting chairman following Hicks' departure, is confirmed as chairman.

On the 25th September the Financial Times proposes to publish a survey entitled

BUSINESS TRAVEL MANAGEMENT

Business Travel is one of the major costs that a company faces. This survey will examine the management control of travel costs and examine the issues most relevant to the sector.

The survey will profile the Guild of Business Travel Agents who celebrate their 25th anniversary and examine their influences on the business travel industry.

For details of advertising rates and an editorial symposium, please telephone Jessica Perry on 071 873 4611 or fax 071 873 3062

The day of pol architects

INTERNATIONAL ARTS GUIDE

More than your job's worth

If you could have your time and money to do as you please, would you choose to struggle to do a job that is not yours? Most of us would say yes. But what if the job was so good that it was worth the struggle?

Induced only 3 per cent of those who feel that on the way to the top they have not made any sacrifice.

The survey, carried out by the British Management Association, shows that many managers are having a hard time. It is not surprising that the survey found that the most common reason for leaving a job was that the work was too much.

Like the problem always been the same, the difference being that the new managers are happy to be asked to do more. It is not surprising that the survey found that the most common reason for leaving a job was that the work was too much.

Apparent managers really are not happy in their jobs. The survey found that the most common reason for leaving a job was that the work was too much.

They are not happy in their jobs. The survey found that the most common reason for leaving a job was that the work was too much.

That managers really are not happy in their jobs. The survey found that the most common reason for leaving a job was that the work was too much.

That managers really are not happy in their jobs. The survey found that the most common reason for leaving a job was that the work was too much.

That managers really are not happy in their jobs. The survey found that the most common reason for leaving a job was that the work was too much.

That managers really are not happy in their jobs. The survey found that the most common reason for leaving a job was that the work was too much.

That managers really are not happy in their jobs. The survey found that the most common reason for leaving a job was that the work was too much.

That managers really are not happy in their jobs. The survey found that the most common reason for leaving a job was that the work was too much.

That managers really are not happy in their jobs. The survey found that the most common reason for leaving a job was that the work was too much.

That managers really are not happy in their jobs. The survey found that the most common reason for leaving a job was that the work was too much.

That managers really are not happy in their jobs. The survey found that the most common reason for leaving a job was that the work was too much.

That managers really are not happy in their jobs. The survey found that the most common reason for leaving a job was that the work was too much.

That managers really are not happy in their jobs. The survey found that the most common reason for leaving a job was that the work was too much.

That managers really are not happy in their jobs. The survey found that the most common reason for leaving a job was that the work was too much.

That managers really are not happy in their jobs. The survey found that the most common reason for leaving a job was that the work was too much.

That managers really are not happy in their jobs. The survey found that the most common reason for leaving a job was that the work was too much.

That managers really are not happy in their jobs. The survey found that the most common reason for leaving a job was that the work was too much.

That managers really are not happy in their jobs. The survey found that the most common reason for leaving a job was that the work was too much.

Architecture/Collin Amery

The dangers of political architecture

THIS summer, beach reading takes on a serious tone as Europeans holl on sunny islands, within earshot of the sounds of hideous civil wars. Two particular books seem to have a timely relevance for anyone interested in the inevitable effects of politics upon architecture. *The Art of the Third Reich* by Peter Adam (Thames and Hudson, £24.95) and *Stalinist Architecture* by Alexei Tarkhanov and Sergei Kavtarzev (Laurence King, £35). Both these books are about blood and buildings. Hitler and Stalin, two tyrants of the twentieth century, both needed more than just terror to perpetuate their nauseating ideals.

Hitler had serious architectural and artistic ambitions — indeed he is supposed to have wanted to be an architect. He would certainly have given architectural arrogance a new dimension. But he was served by his architect Albert Speer and the sculptor Arno Breker in ways that were not completely without artistic merit. The tragedy of art and architecture being used so blatantly for brutal propaganda purposes is that all artistic standards are debased. Even a good artist is inevitably corrupted.

Stalin simply encouraged mindless monumentalism. The two Russian authors have written an extremely straightforward account of a period that is very recent to them with elegant objectivity. The Stalinist style has an interest because it had been built with its modernist cubist style of ornament and without its Social Realist heroics. It might well be admired today. Instead the mighty buildings stand for a hollow and horrific period of megalomania.

Peter Adam has gathered from the slowly opening archives a good collection of visual images many of which have never been seen before. From his book you get a very strong sense of art perverted by politics. It is the kind of book that makes the reader examine his aesthetic responses as well as his political ones. The author engages in an impossible search for artistic objectivity and inevitably leaves a lot of difficult questions unanswered. His

analysis of the ways that Nazis misused artists is accurate and fascinating. Both books belong in any library about the art and architecture of the twentieth century. Both demonstrate the huge setback these tyrants caused to the natural development of a historically based architectural tradition. First tyrannical and then modernist excesses almost succeeded in killing off history as a source of architectural development.

Both the Nazis and the Stalinists perverted history — and we are all still suffering for it. How often is fascist now used as a term of abuse when classical is revived today? These books both show objectively the dangers of political architecture and the artistic danger of perverting history.

On a calmer note, anyone interested in recent architecture should take a look at a series from Phaidon Press. It is called "The Architecture in Detail" series — and plans to be a range of monographs with excellent drawings and photographs of the "most celebrated buildings of the last two centuries".

The series struck me as useful to anyone contemplating commissioning an architect, (a rare and recondite activity today) and probably useful as crib sheets for practising architects. The buildings covered include: The Red House by Philip Webb; The Oxford Museum of Natural History by architects Deane and Woodward; Alvar Aalto's Villa Mairea in Finland; Frank Lloyd Wright's Barnsdall House in Los Angeles; The Royal Festival Hall; The Hoover Factory; the UK Pavilion at the Seville Expo; and many more.

They are far from perfect as a series because they seem to fall between two stools. They are quite expensive — £19.95 for a paperback magazine format and yet they are not the last word on the buildings they cover. They are not written by scholars and indeed the texts I have read are very variable — the quality of the actual writing does not seem to matter.

Several of the series deal with recent trendy architecture — it is hard to see the lasting significance of some London restaurants and advertising



Hitler had serious architectural and artistic ambitions

offices. If the series can avoid appearing as uncritical publicity brochures for current contemporary architects it will be far more successful.

My other criticism is that an aversion to captions and a certain martyrdom to the wilful ways of the graphic designer makes the series more difficult to read than should be the case. The most successful are the titles that are photographed by one distinguished photographer. The publishers hope for annual subscribers — twelve slim volumes a year — and offer a good discount.

I had looked forward to the summer break to have time to read the handsome volume. *The Italian Renaissance Inter-*

rior 1400-1600 by Peter Thornton, (Weldons and Nicolson, £55.00). What a disappointing book — perhaps the subject is too big and the evidence too recondite to make a book on this intriguing subject readable and scholarly and convincing.

This is really an amazing cull of pictorial material assembled by a team of helpers and captioned at length by an author who is clearly more interested in certain aspects than in others. I cannot be alone in finding it hard to take seriously a tome that wants to be seen as scholarly but contains this extraordinary disclaimer by the author — "Readers may notice that when I come to matters that do not

particularly interest me (or about which I am rather ignorant, which comes to the same thing) I say very little; I mention those matters in the appropriate places merely so that my coverage of the field should be fairly comprehensive."

This reader noticed that Mr Thornton is not particularly interested in architecture, nor is he even remotely interested in painting. His analysis of fragments of great paintings selected to illustrate interiors of his period almost always ignores the artist's colour and compositional intentions.

The book is full of wonderful pictures — the text is a worrying muddle.

Theatre St George

The Theatre Royal, Plymouth, 0752-26722

Theatre/ Plymouth

Annie Get Your Gun

WHEN Ethel Merman revived *Annie Get Your Gun* in 1966, playing her own original part from 1946, it was dubbed "Granny Get Your Gun." But nothing could be more fresh, energetic and upbeat than this new production of *Annie* at The Theatre Royal, Plymouth. This is uplifting, sunny theatre, precisely sung, energetically danced and meticulously directed.

The show has aged well. *Annie* was nearly written by Jerome Kern. He died in 1945 leaving the producers with everything but the music. They

called on Irving Berlin in the spring of 1946, just before rehearsals were beginning, and he wrote them a golden score at breakneck speed. It opened at New York's Imperial Theatre in May 1946, and ran for 1,147 performances.

Annie followed *Showboat* in setting a show within a show. It added two great American institutions, hotels and trains, and based itself on the life and times of Phoebe Anne Moses (1866-1926), sharpshooter and firebrand. The writers, Herbert and Dorothy Fields, had found a subject fantastic enough to meet the musical's demand for escapism.

Roger Redfern's direction knows that the musical offers the complete world. He leaves no character on stage redundant, even when not singing or dancing. The show-stopping ensemble "I Got the Sun in the Morning" has a butler and footman singing to each other in the chorus, and makes two dancers pause before launching into the number, wondering whether to join in. The precise choreography complements the pacey orchestral accompaniment (Nick Davies) to make every aspect of the show hum with vitality.

Each scene has its own rich design (Terry Parsons): stee-

sons and bustles in town, head-dresses and moccasins in the teepees.

Kim Criswell plays Annie magnificently. She fills the stage with personality, rounding out a two dimensional part with the intimate "Moonshine Lullaby" and the stomping "I'm an Indian Too". Opposite her, John Diederich as Frank, her rival and beau, makes the most of Berlin's more varied fare, particularly "My Defences are Down".

Their infectious energy transmits to the rest of the cast: Veronica Hart and Billy Burke as two young lovers, sing and dance their way into

love, twice; Leon Greene (Buffalo Bill) and Brian Glover (Chief Sitting Bull) add height and depth.

The all-singing all dancing chorus carries the ensemble numbers with verve and wit.

This is a delightful piece of Americana, alive with movement and incident still foreign to the English sensibility. And it proves Berlin's wisdom, "A man never trifles with girls who carry rifles".

Andrew St George

The Theatre Royal, Plymouth, 0752-26722

Glasgow International Early Music Festival

An enchanted voyage

THE highlight of this year's Glasgow International Early Music Festival was *La comedia del cielo, ovvero La Baltasara* a 1668 Roman "music-drama" given two performances in the vast and wonderful spaces of the Tramway Theatre. The music was by a noted Roman church musician, Antonio Maria Abbatini, the text by a play-writing cardinal, Giulio Rospigliosi, at the time near the end of his short period of office as Pope Clement IX.

In case any of this suggests a dusty research exercise, I must immediately insist that this revival of *La Baltasara* — claimed as the first-ever — afforded an experience of rarest delight, an enchanted voyage across historical time and space to what for most people in the Glasgow audience will have proved a new world of opera. Seventeenth century Roman opera, not possessing a musical genius of Monteverdi and the indelible melodic and rhythmic appeal of Cavalli, is a territory relatively little excavated; these festive Glasgow re-discoveries — two years ago it was Marzoli's 1656 *Vita humana*, still talked of with excitement — are changing all that, to illuminating effect.

The titular heroine stepped into theatrical and then operatic re-creation from real life: she was Francesca Baltasara de los Reyes, a leading Valen-

cian actress, who experienced religious revelation in mid-performance and took up the life of a hermit. A Spanish play on the subject preceded Rospigliosi's treatment: the character of Spanish theatre, of Lope de Vega and Calderon (both of whom the cardinal passionately admired), feeds one source of influence into the libretto.

Act 1 is a backstage comedy-drama. Acts 2 and 3, set in a desert, mingle events supernatural (Baltasara's new-found faith tested by the devil) and picaresque, of main and subordinate characters serious and comic. The morally uplifting ending — Baltasara's triumphant arrival in Paradise to the strains of a celestial chorus and a dance of the seven virtues — is entirely in keeping with the distinct tenor of Roman opera.

Ears habituated to the mould-breaking genius of Monteverdi and the indelible melodic and rhythmic appeal of Cavalli may at first have found Abbatini's succession of recitative and short numbers small-scale, and lacking in individuality. As Baltasara's own stature grows, however, so does the force of the drama; in this reading, with two small groups of "period" instruments disposed to either side of a thrust stage, the dignity of the latter scenes infused the whole theatre with a glow of lyrical

radiance. Kate Brown (producer) and Warwick Edwards (musical director and editor), the team responsible for *La vita humana* at the Tramway in 1990, have mastered the art of spreading the focus of a music-drama across a whole auditorium (and, in the intervals, the foyer) without ever diluting it. The charm and fluency of the production, the brisk wit and keen intelligence of its stagecraft, the deft manipulation of cohorts of dancers and singers all this kept the show tautly unfolding, and kept me captivated. A pity no English translation was available for even closer contact with the audience (but the standard of Italian enunciation was higher than usual, and a libretto was on sale).

In the title role Janis Kelly showed herself once again — as she had in the Opera Factory *pappas* earlier this year — as a performer of the highest eloquence, verbal and vocal conviction, distinction of bearing. She was the opera's vital centre, around her such admirably stylish singing-actors as Tinauke Olafimihan (a fast-developing young soprano of lustrous tone and presence), Alan Watt, Eleanor Bennett, Stuart Patterson and Francesc Garriga were aptly and impressively displayed.

Max Loppert

London Promenade Concerts

Elves of Denmark

THE elves of Denmark were malicious little creatures, not nice at all. Just when the people who lived around their territory thought things were progressing for the good of the community, the Danish elves would rouse from their otherworldly slumbers and throw a spanner in the works out of gleeful spite. All fiction, of course, handed down to us in folk-tales.

Stories about elves were popular in Northern countries in the nineteenth century and the Danish composer Niels Gade was particularly taken by them. At the Promenade concert on Friday a visiting Danish choir and orchestra brought a rare performance of his cantata *Elverskud* ("The Elf-King's Daughter") with a text in which Hans Christian Andersen had a hand. A noble lord is lured to Elfin Hill on his wedding day by a elf-maiden of the night, whose seductive wiles bring him to a grisly end. The tale, with its barely-suppressed theme of the dangers of sexual attraction, is potentially a gripping one. If only the music was half as interesting. Unfortunately Gade was content to spend his time picturing at leisure starlit nights on the Elfin Hill and barely gets to grips with the nub of the story at all (Schubert said far more in five minutes in his song "Erlkönig").

The music is all watered-down Mendelssohn. Occasionally some of the descriptive passages catch the magical atmosphere, but the rest is far too monotonous, substituting a generalised naive and homely mood for the thrill of narrative tension that the story demands. The fine solo trio of Inga Nielsen, Anne Gjevang and Poul Bling introduce a couple of Wagnerian voices to

this very sub-Wagnerian piece, accompanied by the Danish National Radio Choir and Symphony Orchestra under Dmitri Kitaenko.

The chorus and orchestra, which had made a good impression in the Gade, returned later for a lacklustre performance of Prokofiev's *Alexander Nevsky*. In between, however, Aage Haugland has the awesomely gloomy bass soloist in an extraordinary arrangement of Musorgsky's *Songs and Dances of Death* by Edison Denisov, in which Denisov enjoys himself hugely adding vibraphones and ghostly chromatic celesta descants to the music. Nothing like Musorgsky at all, but novel and entertaining.

The next night brought another choral concert, in which the BBC Symphony Orchestra and Chorus might have made more impact if they had been galvanised into action by a conductor with some energy and a tough line on ragged ensemble. Instead, Gennady Rozhdestvensky led them in a sleepy account of Brahms's *Schicksalslied* ("Song of Destiny") and a slack one of Verdi's *Quattro pezzi sacri*. Strong music like the Verdi needs strong direction.

A corresponding lack of energy accompanied married Schumann's Piano Concerto. The soloist was Victoria Postnikova, who alternated a few passages of Prokofiev-like metallic virtuosity with long stretches in which all momentum was lost, as she laboured to find the poetry that should be at the heart of the concerto. If not for the glory of Verdi resounding through the Royal Albert Hall, this would have been a disappointing evening.

Richard Fairman

Thursday's BBC Philharmonic concert at the Proms was conducted by the orchestra's recently-appointed Composer Associate, Peter Maxwell Davies.

Included, as well as works by Mozart, Tchaikovsky and Beethoven, a big Maxwell Davies revival — *Black Pentecost* (1979), the long, bleak-spirited song-symphony for mezzo (Della Jones) and baritone (David Wilson-Johnson) and large orchestra on texts by the Orkney poet George Mackay Brown.

The theme is the destruction for commercial purposes of an Orkney island. This adds *Black Pentecost* to the honourable short list of twentieth century "protest symphonies" (Shostakovich being, of course, Maxwell Davies's most significant predecessor on that list).

It starts, Shostakovich-like, with a slow, dark, barely-scored rumination, shaped according to this composer's "medieval-modern" structural designs, that gradually accrues bitter tints of Mahlerian anguish.

The beauties of the island (touched in by achingly delicate applications of percussion glitter) are characterised as spacious and timeless; the violence and mindlessness of its destroyers are depicted in terms of "mechanical" madness.

The voice parts, grave in tone, work predominantly in narrative mode (though the baritone has a brief passage of this composer's dottiest Expressionist vocal writing).

I don't feel *Black Pentecost* quite adds up, holds together; its form seems somehow distorted, loose. But the impact of all its parts proves loweringly fierce.

Max Loppert

INTERNATIONAL ARTS GUIDE

FESTIVALS

■ BAYREUTH
This is Domingo week at the Festspielhaus. The Spanish tenor makes his Bayreuth debut tonight in Parsifal, with a second performance on Thurs. Domingo will also sing the title role in all next summer's performances. Tomorrow, Giuseppe Sinopoli conducts Der fliegende Holländer, with Bernd Weikl and Sabine Hass. Tannhäuser can be seen on Wed, with Wolfgang Schmidt, Tina Kiberg and Elke Wilmschulte in the main roles. The final cycle of the Barenboim-Kupfer production of The Ring begins on Fri. Ends Aug 28. (921) 20221

■ BREGENZ
The final week of this year's festival has daily performances of Carmen on the floating stage. The Carmina Quartet plays works by Haydn, Ravel and Schubert at Hohenems on Fri, and James Judd conducts the Bergen Philharmonic Orchestra in the

Festspielhaus on Sun morning, with Bruno Leonardo Gelber soloist in Grieg's Piano Concerto. (5574) 4920 224

■ EDINBURGH
In the first full week of this year's festival, the Usher Hall entirely devoted to a Tchaikovsky retrospective, with concerts by the Danish Radio Symphony Orchestra under Kiftenko (tonight), the Scottish Chamber Orchestra under Mackerras (tomorrow), a Dmitri Hvorostovsky recital (Wed), Scottish Opera's concert performance of The Oprichnik (Thurs) and three St Petersburg Philharmonic concerts (Fri, Sat, Sun).

Recitalists in the morning series at Queen's Hall include the Borodin Quartet, Peter Donohoe and Barbara Bonney. Cristina Hoyos heads the ballet programme at the Playhouse (tonight till Thurs), followed by the Mark Morris Dance Group (opening on Sat).

The Voysey Inheritance, the first of Harley Granville Barker's plays at this year's festival, runs daily till Sat at the Lyceum, while a series of plays by Scottish author C P Taylor can be seen at Church Hill Theatre, St Bride's Centre and The Corn Exchange. The Royal National Theatre production of Lope de Vega's Fuente Ovejuna can be seen at the Assembly Hall. Ends Sep 5. Official Festival telephone bookings (31) 225 5755. 24-hour information service within UK

0891-600 304, Military Tattoo: (31) 225 1188, Fringe: (31) 226 5257

■ LA ROQUE D'ANTHERON
The piano festival at La Roque d'Antheron, 50km from Marseilles and Avignon, continues with an early evening recital tomorrow in the Parc du Château by Frédéric Chiu. This is followed at 21.30 by a programme of Mendelssohn sacred music in the Abbaye de Silvacane, sung by the Chorus Musicus de Cologne.

On Wed, Thurs and Fri, there are early and late evening recitals featuring a wide variety of artists including Elisabeth Leonskaja, Richard Goode and Malcolm Bilson. Shura Cherkassky gives a concert on Sat, and the final recital on Sun, is given by Christian Zacharias. (16) 4250 5115

■ LUCERNE
The first full week of this year's festival begins with two London Philharmonic concerts in the Kunsthhaus conducted by Klaus Tennstedt. Tonight's programme includes Strauss' Four Last Songs sung by Felicity Lott. Tomorrow is a Wagner concert. On Wed, Kurt Sanderling conducts the Swiss Festival Orchestra in works by Beethoven, Brahms and Schumann, and Maurice André is soloist in a Festival Strings concert on Thurs. Also on Thurs, the City Theatre gives the first of three performances of the Cocteau ballet Les mariés de la tour Eiffel,

part of the festival's tribute to Les Six (three of whom have centenaries this year). The ballet is paired with Poulenc's opera bouffe Les mamelles de Tirésias. Andras Schiff gives a piano recital on Fri. On Sun, Anne Sophie Mutter is soloist in the first of two concerts conducted by Paul Sacher at the Lion Monument.

Next week's highlights include concerts by the Royal Concertgebouw Orchestra and the Dresden Staatskapelle. Ends Sep 9. (41) 235272

■ SALZBURG
The new Mortier regime at Salzburg moves into top gear this week, with the premiere of Peter Sellars' production of Messiaen's Saint François d'Assise tonight in the Felsenreitschule (also Fri), and a new staging of Salome at the Kleines Festspielhaus opening on Thurs. Esa Pekka Salonen conducts the Messiaen, with a cast headed by José van Dam. The Strauss production is conducted by Christoph von Dohnanyi, with Catherine Malfitano in the title role. At the Landestheater, Anne Sofie von Otter stars in a revival of Urstil and Karl-Ernst Herrmann's production of Mozart's La finta giardiniera (tomorrow, Thurs and next Mon). Traditionalists will enjoy Le nozze di Figaro tonight and Wed at the Grosses Festspielhaus but the rest of the week is devoted to heavier fare — Die Frau ohne Schatten conducted by Solti tomorrow,

and From the House of the Dead conducted by Abbado on Fri. Pierre Boulez's cycle of concerts with the Ensemble InterContemporain is underway at the Mozarteum, and Marijana Lipovsek gives a recital there on Sun. This week's Vienna Philharmonic concerts (Sat evening and Sun morning) are conducted by Bernard Haitink, with Yo Yo Ma soloist in Dvorak's Cello Concerto. Pollini gives a piano recital on Sun evening.

Marilyn Horne and Edita Gruberova have withdrawn from the concert performances of Tancredi on Sat and next Wed, and Vessellina Kasarova and Nelly Miricioiu have been engaged as replacements. Ends Aug 30. (662) 846682

■ SCHLESWIG HOLSTEIN
Neeme Järvi conducts the Gothenburg Symphony Orchestra tonight in Kiel and tomorrow in Eutin. The programme includes Stenhammar's Second Piano Concerto (Cristina Ortiz) and Sibelius's Second Symphony. Other events this week include piano recitals by Alicia de Larrocha on Thurs in Haseldorf and on Fri in Wotersen, and concerts by the Festival Orchestra in Altenhof on Fri and Kiel on Sat (with Iona Brown and Justus Frantz). Sinopoli conducts the Dresden Staatskapelle in Flensburg on Fri and Hamburg on Sat. The festival ends with performances of Britten's War Requiem in Lübeck's St Marien Kirche on Sat and Sun, conducted by John Eliot Gardiner. (431) 567080

■ TANGLEWOOD
This week's programme begins on Thurs with a recital by violinist Pamela Frank, accompanied by Peter Sarkin. The Boston Symphony Orchestra's concerts on Fri evening and Sun afternoon are conducted by Marek Janowski.

In the first programme, Garrick Ohlsson plays Bartok's Third Piano Concerto, and in the second, Itzhak Perlman is soloist in Brahms's Violin Concerto.

On Sat, James Conlon conducts Arvo Pärt's Second Symphony and excerpts from Prokofiev's Romeo and Juliet, and Carol Vaness is soloist in Mozart arias.

Next week, Tanglewood winds up its summer programme with a series of jazz concerts. Ticketmaster Boston (617) 931 2000 New York City (212) 3077171

■ VERONA
Paolo Olmi conducts the Royal Philharmonic Orchestra and the London Symphony Chorus in a Rossini concert tonight in the Arena. Maria Chiara sings the title role in Aida tomorrow and Sun. Nabucco on Wed and Sat has Piero Cappuccilli in the title role and Linda Rorck-Strummer as Abigail. Luis Lima is Rodolfo in La bohème on Thurs. Don Carlo can be seen on Fri. Next Mon, Lorin Maazel conducts Porphy and Bess. From Wed to Sat this week in Teatro Romano, there are daily performances of two Orff ballets, choreographed by John Butler. Ends Aug 30. (45) 590109

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY
2000-2030, 2300-2330 World Business Today — a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0630-0650 (Mon) FT East Europe Report — weekly in-depth analysis from FTTV
2130-2200 (Tues) Media Europe — what's new in European media business
2130-2200 (Wed) FT Business Weekly — global business report with James Sullivan
0630-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0630-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY
CNN
0900-0930 World Business This Week — a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1530-2000 FT Eastern Europe Report

SUNDAY
CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Monday August 17 1992

A two-horse race in the US

IF PRESIDENT George Bush hopes to be re-elected on November 3 he had better make a good speech on Thursday. He will be addressing fellow-Republicans at their convention in Houston, but he will also be watched by most of the American electorate and much of the world outside the United States. He needs to give a convincing answer to a single question - is there a reason why he should be returned to the White House for a second term?

Mr Bush was at his best during the Gulf war, but that is long over and President Saddam Hussein is still in charge of Iraq. He has sent a great many bills to Congress - on health, education, energy and other important matters - but he has not been able to persuade the American people of the value of his plans.

This may now change. Last week the president confirmed that his old friend, Mr James Baker, would resign as secretary of state and come to the White House as chief of staff. Mr Baker's particular strengths lie in the assembling of deals, and the presentation of the resulting packages as coherent and practical expressions of a logical strategy. Over the past four years he has deployed these skills to great advantage in the Middle East and elsewhere. His task now is to apply the same energy to domestic policy. The first intimations of how he proposes to proceed should appear in Mr Bush's acceptance speech in Houston.

Full attention

Mr Baker's task may be too much for even him to complete with success. As he leaves for the White House he is taking his entire inner circle of state department advisers and associates with him. It is likely that he will try to run foreign policy with one hand while seeking the re-election of Mr Bush with the other. Unfortunately, both jobs need the full attention of the individual in charge. In the way of these things the probable outcome is that the election campaign will quickly come to demand all of Mr Baker's time, and then some. Only events of domestic electoral significance - such as, say, a fresh provocation by Mr Saddam - will trigger an adequate American response. The rest of the world may have to wait until November 4, if Mr Bush

Need for light over Europe

IT IS still August - yet already, over Europe, a pall of pessimism seems to be descending. To the problem-racked countries of eastern Europe, the western half of the continent is starting to look less like a beacon of light, more like a rock against which hopes founder. Beset by their own difficulties of slow growth and rising unemployment, the established European democracies are not doing enough to buttress the countries which after 1989-90 broke free from communism. The main EC members, Germany, Britain, France and Italy, are for a mixture of political and economic reasons entering a phase of introspection and indecisiveness, just at the time when global vision and leadership are required.

The US during the next few months will have its eye cocked to the hue and cry of domestic politics. But Europe must not see US preoccupation with the bustings as an excuse for inaction. European problems require European solutions. If Europe's leaders fail to produce results, they cannot complain about growing American jibes at European impotence.

There are three reasons for the setbacks: lack of preparation, lack of generosity, and lack of competence. Into the first category falls the EC's dithering over the Yugoslav war. By unlucky coincidence, an intractable crisis on the Community's borders has coincided with an upsurge in its ambitions of assuming a post-cold war defence role. The EC's inability to prevent the apparent carve-up of Bosnia must inevitably lower those ambitions, or at least postpone their realisation until the EC has mustered the political consensus to support a common foreign and security policy worthy of the name.

After-shocks

The EC's economic treatment of the former Soviet Union and eastern bloc comes into the second category. The Community's external trade barriers discriminate against the goods which countries like Poland, Hungary and Czechoslovakia are most adept at producing; and - with the exception of Germany - it has failed to provide the financial resources needed to dampen the after-shocks of communism's collapse.

gets back, or January, if, as the polls suggest, Mr Bill Clinton becomes president.

This is in part the consequence of a natural US preoccupation with its own internal problems, and in part a reflection of the uncertainty that is felt by foreign policy professionals since the collapse of the Soviet empire. Four years ago such matters were quite simply stated. The Republicans stood as the party of strong defence and staunch anti-communism, the Democrats were damned as unreliable. Now nobody is sure. As Dean Acheson might have said, America has lost an enemy, and has yet to find a role.

Positive attributes

Yet it is too soon to write Mr Bush off. Mr Clinton leads the president by around 20 points in most recent opinion polls, but the general expectation is that this advantage will slip away quite quickly, especially if this week's convention is a success. Mr Baker can be expected to bring some professionalism and discipline to the Bush campaign team. He should be able to insist on a strategy of projecting two or three positive attributes of the Republican candidate ("Leadership," and "trustworthiness" among them) while hammering home the message that Mr Clinton's expenditure plans cannot be put into effect without substantially higher taxation.

His difficulty is the recession. It did not exist when Mr Baker helped Mr Bush win in 1988. In that year the president came from behind and trounced Mr Michael Dukakis. A midsummer Democratic lead of 17 points quickly melted away.

The US mood was, however, different then. Some of the afterglow of President Reagan's years still existed, to the advantage of Mr Bush. There was not quite so much disenchantment with politicians in general and none with Mr Bush in particular. The candidates are also different. Mr Dukakis was not a first-rate campaigner; so far the strategies adopted by Mr Clinton have been highly successful. The contrast in the contenders for the vice-presidency has been widely noted. In short, Mr Baker may be a great help to Mr Bush, but even if he is, this looks like being a two-horse race, right down to the wire.

A Republican party leader's gathering today in Houston to try to rescue Mr George Bush's ailing presidential campaign, there is no more potent symbol of his ills than the state of US education and training. Mr Bush singled out improving education as his most important domestic task when he was elected. But four years on, the education system that was once treasured for offering the best chance of a college education in the world now strikes many Americans as wasteful and inefficient.

The Japanese politicians who questioned this year whether US workers were too ignorant to compete in the world economy thus touched a raw nerve. Mr Bush, who promises to come forward with new ideas for his "revolutionary" education programme, has backed reforms such as national testing of school pupils, but has not achieved enough to reassure voters. Mr Bill Clinton, his Democratic rival, has called for more radical measures. Among other things, Mr Clinton wants all high school pupils who do not enter college to have the chance of an apprenticeship.

America's tradition of open access to university and college education - started under the postwar GI Bill - remains a striking achievement. A greater proportion of workers in the US hold college degrees than in any other OECD economy - 19.2 per cent, compared to 11.5 per cent in Japan and 4.5 per cent in Germany. The growing worry is over the fate of the 67 per cent of the US population which does not enter any form of post-secondary education.

The quality of education and on-the-job training received by what has been dubbed the "forgotten half" of the US workforce has a number of clear flaws:

- School academic standards are often lax. Only a small proportion of pupils nearing high school graduation can accomplish a mix of writing tasks, and half cannot handle moderately challenging mathematical problems, according to the last National Assessment of Educational Progress. The first National Education Goals report for 1991 says that only one in five pupils displays basic competency in mathematics, and reports Japanese pupils scoring significantly higher.

- High school vocational education is often of poor quality, and has come to be regarded as a "dumping ground" for less able pupils. One study of 6,700 pupils taking vocational courses found that many were excluded from rigorous maths and science courses, and often had never read a poem or a play. Nor are pupils well-prepared for jobs by vocational classes: the Department of Education estimates that only a third of such education is used at work after leaving school.

- There are few apprenticeships for young people not entering college, and those that exist are concentrated in a few traditional industries such as construction. In 1989, there were 1.7m young people placed in apprenticeships with 500,000 employers in West Germany; the US had only 263,000 registered apprentices from a population four times as large. Many employers resist apprenticeships because they dislike the principle of joint union administration.

- American companies carry out less training of adult workers than foreign competitors, even compared with plants based in the US. Newly-hired workers in US car plants receive under 50 hours of training each, compared with more than 350 hours for workers in Japanese car

American worries over competitiveness have put education and training on the political agenda, writes John Gapper

The high price of ignorance

plants in the US. Of the estimated \$30bn that American companies spend on training adults, two-thirds goes to college-educated managers. Most is spent on orientation courses for recruits.

There are two reasons why the US is worried about education and training standards. The first is a gradual increase in the demands placed on employees in jobs that do not require post-secondary education. Many employers who have installed new technology, or initiated quality improvement efforts that require greater involvement from entry-level workers, have made awkward discoveries about the limited competence of workers with high school diplomas.

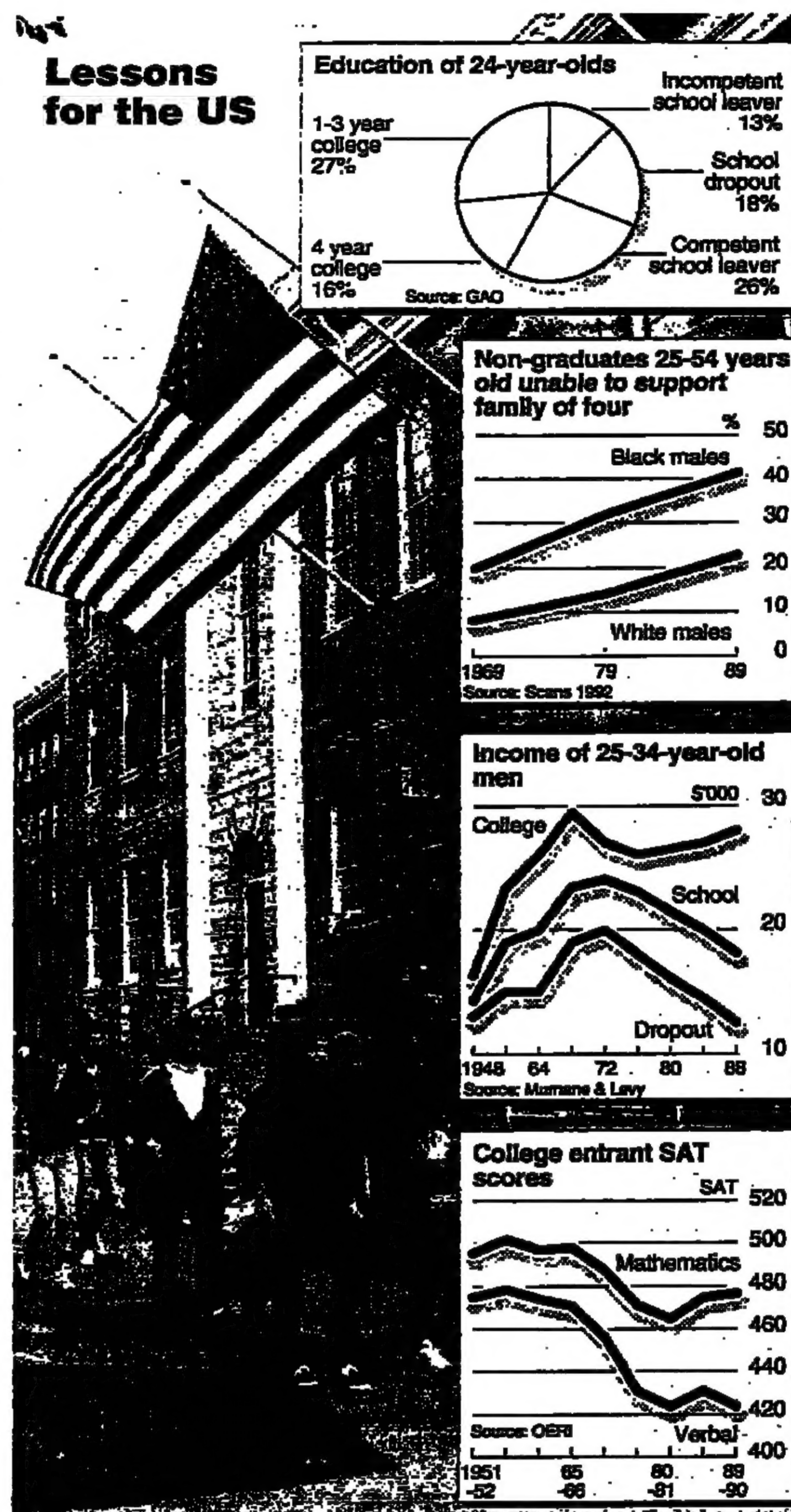
The second reason for concern affects US society as a whole. Despite the public attention given to trying to reduce the rate at which teenagers drop out of high school before graduation, a high school diploma is of shrinking value in the labour market. While the real wages of college-educated employees increased over the past 20 years, those of male workers with only high school diplomas fell by 25 per cent between 1973 and 1987.

Underlying this fall is the loss of well-paid jobs for men in industries such as steel and car making: the unionised blue-collar jobs which used to form the backbone of US employment. It is hard for a school-leaver to find work in a steel mill these days. He or she is far more likely to be offered an insecure and poorly-paid service job. One result is that 23 per cent of white high school-educated males now earn too little to support a family of four by themselves.

He needs for educational and economic changes to address such problems is not disputed. The US government has called for more companies to adopt a "high-performance" model of work organisation, giving more responsibility to entry-level employees. It has also backed educational reforms aimed at improving preparation for work. Mr Clinton differs only in supporting more radical efforts to make employers train, and to overhaul education for those not entering college.

But the country's educational traditions mean that reform involves two difficult tasks: the first is to raise the number of high-skilled jobs that can provide well-paid employment. Some companies have reorganised work or invested in new technology only to find that their employees are too badly educated to cope. But most US employers have stuck with old methods: one study last year estimated that only 5 per cent were altering working methods in ways which required higher skills of entry-level workers.

Mr Ray Uhalde, an assistant sec-



retary at the Department of Labour, says the history of assembly-line work in the US means managers are more inclined to automate work than seek higher productivity by upgrading skills. "They know how to chop up work, and you tend to go with what is natural and comfortable when you are thinking of ways to raise productivity," he says.

The US faces problems in persuading companies to adopt different strategies of work organisation. The economy has one of the highest rates of adult job mobility in the OECD: only 35 per cent of male workers in their late 30s have been with their current employer more than 10 years in the US, compared

with 58 per cent in Germany. The fact that workers are likely to leave quickly reduces the incentive for employers to spend money on training.

The second task facing the US is improving school education, and finding better ways to prepare young people for skilled employment. American employers are increasingly critical of schooling standards. "My sense is that not many schools are producing people with the mix of skills we need. They might be producing people with barely manageable, get-by sort of skills, but that is it," says Mr Harvey Greenberg, Polaroid's director of education and training.

Until now, many employers have

displayed little interest in how well pupils are educated at school. Nor have they been willing to back apprenticeships, or give incentives for young people to undertake further vocational education. Compared to the close links forged between Japanese employers and schools, and the involvement of German employers in the dual system, most US companies have been indifferent to the education of their non-managerial workers.

Some observers argue that this indifference has played a crucial role in the poor standards of US high schools. Mr John Bishop, an economist at Cornell University, says there is little incentive for school pupils to work hard because employers neither bother to ask what they did at school, nor reward academic competency. One study found that employers had asked to see records of high school achievement in only 14 per cent of cases where a school-leaver was hired.

There is now growing interest among both employers and educators in forming closer links. The Educational Testing Service is working on an initiative to give employers access to a computerised record of high school achievement. Los Angeles, one of the largest US school districts, is trying to stimulate employer interest in its school standards by guaranteeing any company dissatisfied with a school-leaver that he or she will be offered free re-education.

But such efforts only scratch the surface of the enormous task of educational reform. Despite the current wave of interest in apprenticeships as an alternative to flawed academic schooling, there is little chance of apprentice places growing rapidly enough to match the German dual system. "Schools operate on a demographic cycle and employers on a business one, and they are hard to match," says Mr Richard Kazis of consulting group Jobs for the Future.

The best hope lies in better forms of vocational education that include a broad academic grounding. America has a substantial asset in its network of community colleges, which provide academic and vocational courses leading to two-year degrees. Most educators and employers agree that the US needs to combine a more rigorous school system with better incentives for students to enter and graduate from - community colleges.

So America faces a difficult struggle in raising the demand for, and the supply of, better-educated workers. The alternative is to accept the growing dispersion of wealth between the college-educated and others. For a country formed in the promise of equal opportunity for all, such acceptance is virtually unthinkable. However, the current political clamour over education and training indicates the status quo will not be quietly tolerated.

Yet the means of achieving change appear elusive. The division of responsibility for education among thousands of local school districts is mirrored by the determination of each American employer to define its own training policy. It will take a more inspiring call to action than Mr Bush has yet mustered to unify this diverse body. And without such unity, America cannot solve the education and training flaws that now hamper its economic progress.

This is the first in a series of articles about US education and training. The author is a Harlequin Fellow of the Commonwealth Fund, New York.

Twin tasks to stop the strife

The future of Bosnia must be resolved or other ethnic conflicts could erupt, says Judy Dempsey

When Prime Minister John Major holds an emergency meeting of the British cabinet tomorrow, he will be faced with probably one of the most important decisions of his career.

Against a background of mounting public pressure, he will have to decide whether to commit ground troops to protect humanitarian aid convoys in Bosnia-Herzegovina. And since Britain is the current president of the European Community, Mr Major will be expected by his EC colleagues to provide a sense of leadership in deciding how to deal with the war in Bosnia, and how to prevent it from spreading. Neither task is easy.

British officials are hoping that the resolution passed last week by the United Nations Security Council, which stipulated that "all necessary means" would be used to safeguard aid convoys in Bosnia, will be enough to force the Bosnian Serbs to lift their siege of several towns.

For the moment, Mr Radovan Karadzic, head of the Serbs in Bosnia, appears determined to allow the aid convoys unhindered access to some towns and cities. This is understandable. The last thing Mr Karadzic wants is a large-scale military intervention. Western diplomats and academics point out that it is in Mr Karadzic's interests to comply with the UN resolution.

"Karadzic has everything going for him now," said Mr James Gow, a specialist on Yugoslavia at the London-based Centre for Defence Studies at King's College.

"He will look good if he allows the convoys through. But more importantly, he has got what he wanted. Even though the Serbs make up 33 per cent of the 4.3m population, Karadzic's men now control 70 per cent of the territory of Bosnia-Herzegovina. He is in a position to sue for peace."

The Croats, who make up 17 per cent of the population of Bosnia, are also in a position to sit down at the

negotiating table. With the backing of Franjo Tudjman, the Croatian president, Bosnia's Croats now control a swathe of territory in western Herzegovina, in the west of the republic. Like the Serbs, Bosnia's Croats, led by Mr Mate Boban, have carried out their own form of ethnic cleansing. Their war aims - the eventual annexation of parts of Bosnia-Herzegovina to Croatia - have nearly been fulfilled.

Indeed, so confident are Mr Karadzic and Mr Boban that they held their own talks in Brussels at the weekend, following the collapse of the official negotiations headed by Lord Carrington, chairman of the EC-sponsored peace conference on the former Yugoslavia.

At the unofficial talks on Saturday both leaders agreed to a ceasefire on those frontlines in Bosnia where Serbs and Croats have been fighting. In addition, they put forward their own version of a constitutional arrangement for the future status of Bosnia. The plan - supported by the EC - will be presented to a new UN/EC-sponsored conference in London which is scheduled to start on August 26, chaired by Mr Major. It suggests that Bosnia should be partitioned into its three constituent communities.

The problem with this arrangement is that it leaves the Moslems - who accounted for 43 per cent of the population before tens of thousands fled the republic - with a tiny area of territory near Sarajevo, the Bosnian capital.

"The Moslems have been boxed into a corner," a Turkish diplomat at the UN said. "They want to defend their homeland. But if they fight, regardless of the UN resolution and regardless of the fact that Bosnian Serbs will allow the aid convoys through, they will be accused by the international community of being unco-operative and obstructive to any peace plan," he explained.

"If the Moslems and the Bosnian



Convoy concern: Major has to decide whether to send ground troops as protection

president, Alija Izetbegovic, agree to the carve-up of their republic by Croatia and Serbia, they will be disowned by their own people. It is a terrible dilemma for them. In reality, the independent republic of Bosnia-Herzegovina no longer exists. Force has destroyed it."

Thus, tomorrow's cabinet meeting, and the challenges facing the London conference, are daunting. Both meetings will have to decide whether Bosnia can exist as an independent and sovereign state. If this principle is accepted, then arrangements will have to be made to allow the mostly Moslem refugees to return to their homes.

This would mean that the UN would have to set up safe havens in Bosnia for returning refugees, said western diplomats. Western governments would also have to provide substantial financial assistance to rebuild the homes destroyed in the

war. However, returning to the *status quo ante* is acknowledged to be impossible.

"The problem with any of these options is that they are too late," said Mr George Schoplin, an east European specialist at the London School of Economics. "The west, particularly the UK, has responded with weakness and cowardice. The Moslems have no homes to which they can return. The international community, which has adopted the policy of appeasement, has allowed might to prevail over right."

"This will encourage potential authoritarian regimes to emerge in the republics of the former Soviet Union, and in eastern Europe," he added. "Who will stop them from creating out their own form of ethnic cleansing?"

A US diplomat in Sarajevo said the depth of revenge and hatred was now so great in Bosnia that it

would be "extremely difficult" for the three ethnic communities to live peacefully together again. "The war has radicalised every ethnic community. The tragedy is that we are witnessing the establishment of ethnic ghettos in Bosnia which will be accepted as one of the solutions towards bringing peace to the republic."

Meanwhile, as the EC and the UN ponder the fate of Bosnia, diplomats continue to urge western governments to stop the war spreading in the Serb-controlled southern province of Kosovo and in Macedonia. "Macedonia will become a pawn between Serbia and Greece if we do not recognise its independence," a US diplomat said. "If the London conference really wants to tackle the problem of the Balkans, it will have to address the whole question of minority rights."

Break with tradition in a quest for former glory

Trafalgar House faces a difficult future, says Tony Jackson

The assets of Trafalgar House, the UK conglomerate, read like a roll-call of famous names from the past: Cunard, John Brown, Davy, Scott Lillig, the Ritz. A year ago, Trafalgar's standing on the UK stock market displayed the same faded grandeur. Though its shares had underperformed the market for years, it was still valued at almost £2bn and had just raised more than £300m from its shareholders.

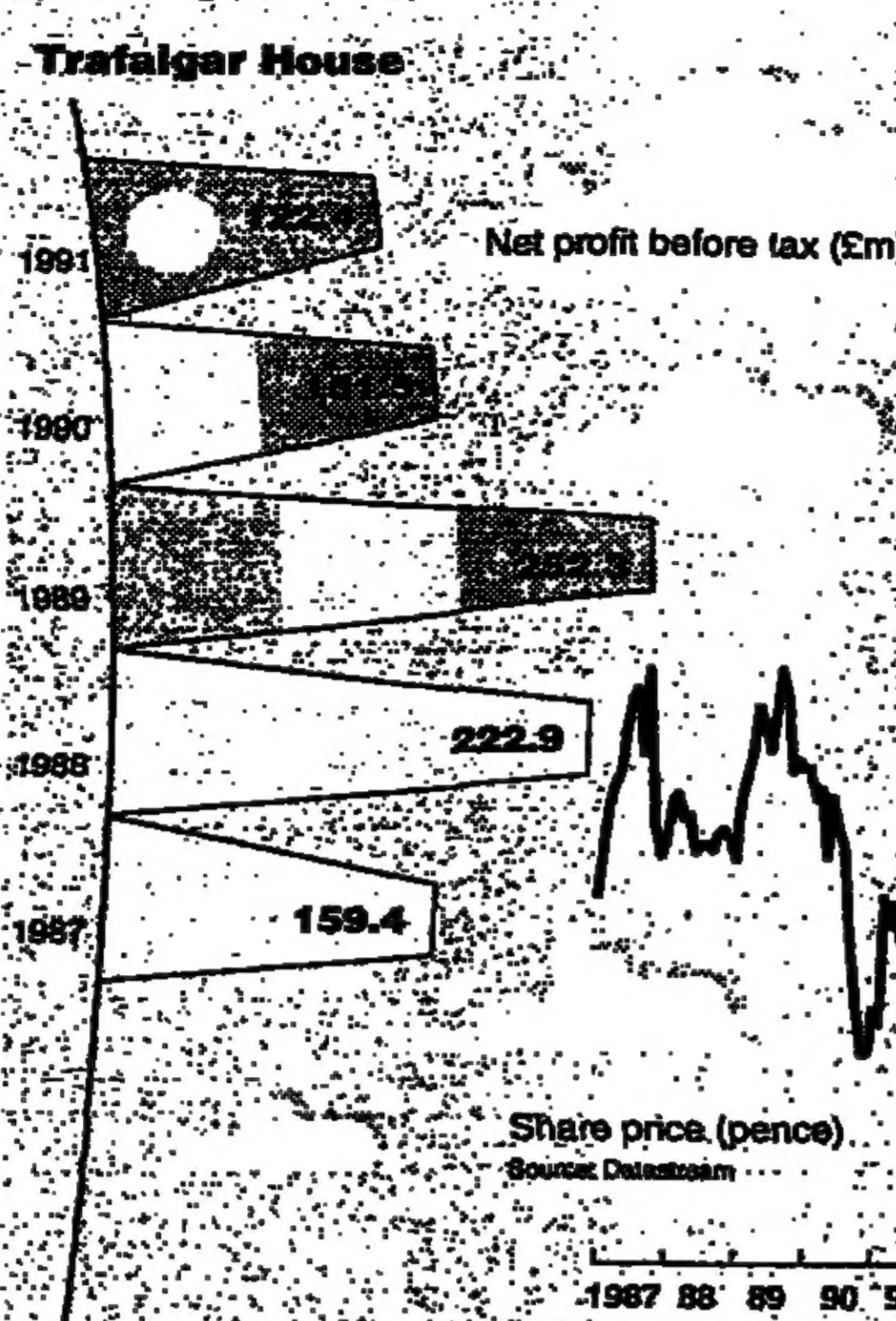
Since then the shares have tumbled, the dividend has been halved and the company is worth just £289m. Subsequent from that the cash raised last year, and the market is saying that all those famous names, plus £800m-worth of house-building and commercial property, are worth £78m.

As one City analyst privately remarks, this kind of valuation suggests the market is no longer worried about minor matters such as cuts in the dividend. It is starting to ask whether Trafalgar might go under. The simple answer to that is no. Whether Trafalgar can ever regain its former glories is another matter.

Since its foundation in 1956, Trafalgar has been not so much a normal conglomerate as a loose collection of household names. At one time these included the Daily and Sunday Express, which were hived off in 1982. They still include housebuilder Ideal Homes and contractor Trollope & Colls.

How did such an apparently solid business get into such a mess? The simple answer is one which has become sadly familiar across the UK corporate landscape: cashflow.

Insofar as Trafalgar ever had a traditional business, it was property and housebuilding. In the 1980s, these were dangerously deceptive markets to be in. Year by year, as property prices rose, housebuilders, property dealers, brewers and retailers found they could generate cash by the simple expedient of buying and selling their property assets. When the asset inflation stopped, at the tail end of the decade, they had



no means of servicing their borrowings: unless - like the brewers and some of the retailers - they could still generate cash from their normal operations.

In Trafalgar's case, it is not clear how cash-generative its other operations ever were. Whatever the history, the pressures have lately become acute. In particular, last year's acquisition of the engineering contractor, Davy, has caused a cash outflow this year of more than £100m.

Davy, one of the world's most distinguished engineers, had been brought to its knees by a single disastrous contract on a North Sea oil rig. Trafalgar paid just £50m for it, then wrote its net worth down to minus £131m.

But that was a mere book-keeping exercise. Trafalgar then discovered the reality: that Davy was seriously behind in paying its bills. It had to inject more than £100m of working capital.

"I have to say," says Sir Eric Parker, Trafalgar's deputy chairman and chief executive, "that in my experience since the mid-1960s of talking over UK quoted companies, you generally find things slightly worse than you anticipated. In Davy's case, the unexpected bit was the cashflow."

Otherwise, he claims, Trafalgar's underlying cashflow is not too bad. "Our construction and engineering side is very cash positive. There's very little capital expenditure mostly computer-related stuff for the engineering side. There are whole sections of that business which work on negative working capital. That will throw up very positive cash-

flow in 1993-94. The hiatus in 1992 is entirely to do with Davy.

"In housing, we have a land bank which is too big for our present business, so we don't need to buy any land. On each sale we recover some of the underlying book value of the land, even if the business is not making any profit. And in commercial property, we have almost no developments going on at present. That means the only cash outflow is interest charges on the debt.

"In hotels, the cashflow is negligible. But the cruise ship business is positive - the only cash outflow is the improvements you have to make to the ships. Across the group, the pressure on cashflow has emanated from having two legs of the business - leisure and property - not generating the cash they should have done: that, plus Davy.

Trafalgar is certainly in a tight spot, but its finances look safe enough. Its agreements with its bankers are:

- Net worth should be at least £500m. Last year's figure was £716m. This year it will be lower, but not much (though it is worth noting that the figure has been falling since 1989).
- Net borrowings should be no more than 1.75 times net worth. The borrowing figure at this year-end, including some £50m of off-balance sheet debt covered by the agreement, will be only around £500m.
- The average interest charge should be covered at least twice by profits before provisions. Last year it was covered more than three times.

Besides that, Trafalgar has lines of credit with its bankers - committed facilities, in the

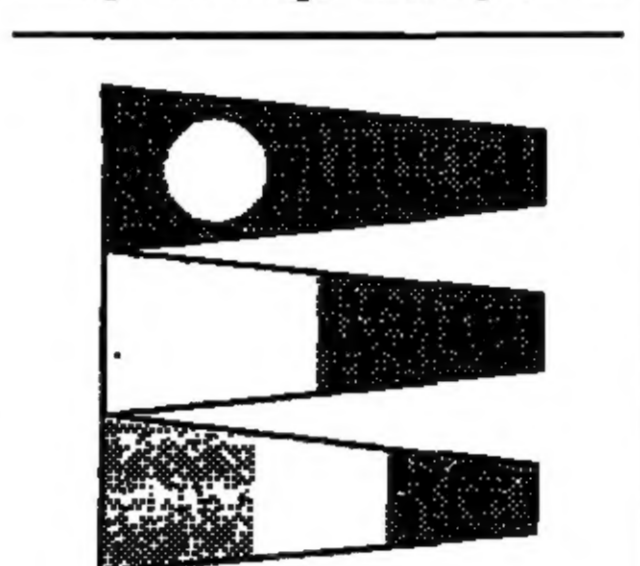
jargon - totalling £800m and good for another five years.

But its future remains problematic. The kind of conglomerate Trafalgar represents is these days deeply unfashionable. The new fashion is to strip companies back to their original business and concentrate on what they know best. The snag in Trafalgar's case is that UK commercial property and housebuilding are so moribund that no business would concentrate on them if it could possibly help it.

Trafalgar's strategy is rather the opposite: to concentrate on the businesses it bought most recently and knows least about. Those are the engineering contractors John Brown and Davy, acquired in 1986 and 1991 respectively. Cunard and the Ritz will probably be sold off as soon as their markets recover, or possibly demerged. By the late 1980s, property and housebuilding may have gone too. Looking 10 years ahead, says Sir Eric, the only essential part of the company's strategy is to be like the giant US contractor, Bechtel.

The trouble about that industry is the risk involved in huge contracts. Both John Brown and Davy ultimately owed their loss of independence to such contracts going wrong. Trafalgar, says Sir Eric, is the best in the business when it comes to risk control. But, as he concedes, the big risky turnkey contracts are where good profit margins are to be found.

Nevertheless, he insists, "our engineering and construction business is in the books for virtually nothing. This year it will produce operating profits of £100m or so. If you look at the fancy earnings multiples in



process engineering elsewhere in the world, that could theoretically be worth another £1bn on our shareholders' funds."

In theory, Trafalgar's shareholders should be profoundly glad to hear it. The reality is slightly different. Their once-prideful assets still have value. But however far they look into the future, it becomes no easier to establish what that value really is.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL.
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

A backward looking argument

From Mr Mark A Frankcom.

Sir, Dr Sally's letter (August 10) is surprising, coming from an institution which has as its goal the promotion of forward looking strategic thinking. Dr Sally's arguments relate to the past, not the future. I am not sure the stakeholders in Bayer, Hoechst and BASF would agree that Germany is today "a conducive environment". High wages, environmental costs which outweigh the benefits they bestow and a legislative, constitutional environment that prevents the exploitation of biotechnology - hardly a positive picture. Many observers of today's chemical landscape have suggested that the three chemical companies face equal traumas to those which ICI is already setting about tackling. It has been noticeable that only in recent years have these companies begun to deal with their sprawling bureaucracies and reduce headcounts. Even without a level playing field - equivalent electricity prices and a similar cost of capital to name only two - I would be hesitant to pick them as tomorrow's winners. Mark A Frankcom, Greystone Farm, Hall Lane, Parbold, Lancashire WN3 7BD

Taking issue on currency

From Mr J R Scott.

Sir, Re Observer's "Pioneers under fire" (August 13): Q: How much longer are the Scots (and the Northern Irish) going to be allowed to carry on this unpatriotic practice - ie, issuing their own notes? A: Until the currency notes of the UK are no longer issued by the Bank of England. James R Scott, 15 Old Quay Road, Holywood, Co Down, Northern Ireland

Correction of an imbalance in industrial legislation is overdue

From Mr D Rooney.

Sir, Re David Goodhart's article "Stewards shop for new members", may I put a hypothetical question: "How do you market an excellent product that is 'forbidden fruit'?"

For the problem facing potential trade union members is "fear". I have been involved in a recruitment campaign at a company based at Bathgate, near Edinburgh, and I can readily understand any employee being apprehensive about joining a trade union if their employer is "anti-union" (in most companies this is the case).

It has to be recognised that

Buying into eastern Germany: the dream and the reality

From Mr Anthony Rosen.

Sir, Christopher Parkes's admirable article ("German privatisation", August 11) highlighted the gulf between dream and reality as far as the proposed sales of industrial and commercial propositions in eastern Germany are concerned. The situation is, if possible, even worse as far as agricultural land is concerned. The Treuhands boasts of having some 450 large farms for sale. When one follows this attractive statement up, one finds that they have actually sold only one farm and that they are in a position to sell, perhaps, only one more.

The German government announces that purchasers who wish to start new dairy units in eastern Germany will have made available "unlimited milk quota". In reality this means enough for 60 cows - a totally uneconomic number or if in partnership the new owner may receive milk quota for 120 cows.

The Treuhands puts the "sales" of its 450 farms in the hands of a firm of accountants

which has probably never sold a square metre of land let alone 450 farms, each in excess of a thousand acres.

The Treuhands in London conveys one message. In Berlin another and yet a third view is given by the Treuhands in the Länder.

The basic problem as far as eastern Germany's agricultural land is concerned lies in the fact that the overall land-use policy has become a political football between those who believe that the five eastern Länder have a significant structural advantage in their large-scale farms and the Bavarian attitude of so many German ministers who believe that the 20-acre peasant smallholding should be the norm for the whole of Germany.

In the meantime potential land purchasers should ignore the siren calls of the Treuhands and their British selling agents.

Anthony Rosen, chief executive, Fenix Farming, Roschill, Arford, Headley, Hampshire GU35 8DF

Poor argument for employers to scrap disabled quota scheme

From Mr Steve Smith.

Sir, The Confederation of British Industry's statement (Letters, August 10) that more employers must be made aware of what disabled people can offer in the labour market is to be welcomed. However, we strongly disagree with the view that because employers cannot make the quota scheme work it should be scrapped.

Quota schemes do work elsewhere in Europe - most notably in Germany, which has implemented a very effective quota scheme of 6 per cent. However, such schemes need the full support of government

and in the UK the government does little to enforce it: three-quarters of employers fail to meet the UK's more limited 3 per cent target, yet there have only been some 10 prosecutions since the quota was implemented in 1944.

Mr Gilbert of the CBI argues that one problem with the scheme is that disabled people themselves object to being categorised by the registration process. The Spastics Society's own research shows that, in fact, the reason disabled people do not register for the quota scheme is that they have little faith in its effort on behalf of

Pension age that is not supportable

From Mr R H Price.

Sir, Bryan Froake (Letters, August 11) accuses the Confederation of British Industry of failing to appreciate the implications of current retirement patterns in its support for an equalised state pension age of 65. But there is little depth to his own vision when he argues for an equalised age of 60 which seeks to enrich pensioners in future by placing an impossible cost burden on the next generation of workers and their employers.

It is true that during periods of labour-shedding recently, employers have seen early retirement as one of the more acceptable methods of reducing the workforce. But the CBI's proposal seeks a common pension age that will meet the UK's labour market needs in the second decade of the next century and beyond. Older workers will play an increasingly important role as the proportion of younger people in the labour force falls. Paying pensions as early as 55, as MSF suggests, would encourage an early retirement culture the nation could in no sense afford. In terms of cost and the imperatives of the labour market, an equalised age lower than 65 is unsupportable. It also goes against employees' own wishes to work on later in life, encouraging the very age discrimination that Mr Froake is rightly anxious to avoid.

Richard H Price, deputy director-general, CBI, Centre Point, New Oxford Street, London WC1A 1DU

government and employers to make the most of the untapped pool of talent represented by unemployed disabled people. Steve Smith, campaigns and parliamentary affairs department, The Spastics Society, 12 Park Crescent, London W1N 4EQ

fe

s Judy Dempsey



Democrats can spare a dime

■ Out of all the lies and half-truths flying around Houston's Republican convention, one political myth can be laid to rest. The Republicans, not the Democrats, are the real poor folk.

There are three Democrat millionaires for every Republican, according to a recent survey of senators' wealth in Washington's Roll Call newspaper. Even after adjusting for the Democrats' Senate majority, it is more than twice as likely that a Democrat senator will be a millionaire, than his Republican opponent.

It is partly explained by the fact that some Democrats come from formidable political dynasties, such as the Kennedys and Rockefeller. Indeed, Chuck Robb - hubby of Lynda Bird Johnson (daughter of LBJ) - tops the millionaires' club with a \$19.5m fortune. However, self-made men like defence guru Sam Nunn and Lloyd Bentsen, the former vice-presidential nominee, have made it into the Democrats' millionaires' club. Amongst the Republicans, former presidential contender Bob Dole is perhaps best-known.

But amid all this conspicuous wealth - more than in four senators is a millionaire - there are still some poor Democrats. Joe Biden, chairman of the Senate judiciary committee, has a negative net worth of \$170,000, and sank deeper into the red last year. No wonder he had to plagiarise Neil Kinnock. Obviously, he couldn't afford his own speech writer.

Happy holidays

■ Not all of John Major's cabinet colleagues have answered his call to interrupt their holidays for emergency talks on the Bosnian crisis.

Douglas Hurd and Malcolm

Rifkind will, like Major, be returning to London for tomorrow's meeting of the Cabinet's overseas and defence committee. Sir Nicholas Lyell, the attorney-general, will also be present. But both Michael Heseltine and Norman Lamont won't put in an appearance. The Prezsa has a good excuse. To return from his Fiji hideaway for just a day would take him two or three days.

But eyebrows are being raised at Lamont's decision not to interrupt his Tuscan idyll. Ministers flatly reject cruel suggestions that the chancellor's reappearance would deliver another dent to consumer confidence.

Customer service

■ Watch those water bills. Observer has just received a press release from the old North West Water board, which now bills itself as the "world's fourth-largest water and wastewater undertaking". It is spending, or rather "investing", more than £900,000 on an "intensive fellowship programme" for five employees. They are being sent to the US for two years to study the latest developments in artificial intelligence.

Water on the brain

■ Still on the subject of big-spending water companies, water watchdog Ian Byatt's recent grun warning that water prices could double in real terms by the year 2005 has already begun to prompt some zany debate about the cost of water quality.

John Gummer, the agriculture minister who made his daughter eat a very public hamburger to show that there was no risk of mad cow disease, has been one of the first to throw his weight behind Byatt's common-sense views. But Gummer may regret his enthusiasm.

Writing in yesterday's Sunday



"Which trade bloc have we landed in, Earthman?"

Express, he asks: "Do we really want to double our bills just to make our water 20,000 times purer than the vegetables we cook in it?" No doubt the minister knows what he is talking about, but it is hardly a ringing endorsement for Britain's vegetables.

Gummer's comments are not much better than those of the Perrier-drinking classes who complain that every glass of water coming out of a London tap has been drunk six times already. Have they not heard of the hydrological cycle? Ever since the dawn of time, all the water in the world has been going round in a circle. Every time they raise a glass of water to their lips, says one expert, they risk imbibing recycled dinosaur pee.

Funny accounting

■ Why are accountants Price Waterhouse increasing the starting salaries of their graduate in-take by 20 per cent, to £14,000 a year, in the middle of the worst recession since the 1930s? Given that the drole queues are full of eager young graduates who would love to train as PW bean

counters. It doesn't make sense for PW to break ranks and start paying above the odds for staff. Surely they are not going to add the extra hundreds of thousands of pounds of this generosity onto clients' bills?

If PW were a bank, this sort of behaviour might make some of its depositors nervous.

Business as usual

■ It was the reforms of the new South Africa which allowed the Springboks and the All Blacks to renew their rugby rivalry over the weekend after a gap of 11 years.

The day itself, however, was very much an old South Africa affair. The overwhelmingly white crowd of 70,000 took the opportunity to deliver a large raspberry to politically correct sporting administrators who had tried to prevent playing of the national anthem - Die Stem van Suid Afrika (The voice of South Africa) - and displays of the national flag, two symbols with a strong apartheid flavour.

Johannesburg's Ellis Park stadium was completely awash with South African flags and twice rose to deliver spontaneous renditions of Die Stem, sung with a gusto the sombre tune seldom enjoys. The second occasion coincided with what was supposed to be a minute of silence for victims of recent political violence in the country.

Not surprisingly, an angry ANC is threatening to review its support for Saturday's match against the Wallabies.

Overtime

■ Heard the one about the businessman who requested in his will that his ashes be incorporated into an egg-timer and presented to his local tax office?

He wanted to go on working for the Inland Revenue after his death.

It came as no surprise when the University of York's 21 acre Science Park was selected as the new home for multinational Smith + Nephew's entire research activity.

And when a company so renowned for the quality of its research chooses a location, you can be sure that all the options have been rigorously examined.

So if you're researching opportunities for your business development, put York under the commercial microscope.

Why not join Smith + Nephew in York?



YORK: A PROVEN BUSINESS LOCATION

- Just 1 hour 43 minutes from London by rail
- School leavers with the best results outside the South East
- Wide choice of office and site locations
- An asset for recruiting and retaining staff
- A prestigious City - perfect for headquarters location
- Opportunities for cost saving

To find out how you can gain the business advantage contact Tony Bennett
Tel (0904) 653655 Fax (0904) 625287

YORK
THE DISTINCT ADVANTAGE

DKB INTERNATIONAL
15 Years of Continuous Growth
and Contribution to the Development
of the International Capital Markets.
Tel: 071-929 7777
Member of SFA and The London Stock Exchange

FINANCIAL TIMES

Monday August 17 1992

ANIXTER
Wiring Systems Specialists
Ethernet • IBM Cabling System • LAN
Fibre Optics • AT&T PDS • Nevada Western
Belden • Digital's DEconnect
Tel: 0753 686884

President promises 'revolutionary' health, education and tax policies Bush hits at 'do nothing' Congress

By Nancy Dunne in Washington

PRESIDENT George Bush yesterday laid out a re-election strategy focusing on attacks on the Democrat-controlled Congress whose "sorry record" he intends to link directly to his opponent, Governor Bill Clinton of Arkansas.

In a pre-recorded interview with Mr David Brinkley of ABC News, Mr Bush said he would take as his model former Democratic President Harry Truman, who won re-election in 1948 by fiercely attacking a "do-nothing" Congress.

Against the background of a Washington Post/ABC News poll yesterday showing that 61 per cent of Americans do not know what Mr Bush wants to do in a second term, the president

sought to portray himself as having been too busy in Washington dealing with Congress to lay out an agenda. Congress had "let me down and the American people", he said.

As the Republican party faithful began gathering in Houston for their party's convention, which begins today, Mr Bush

Turn right for the
AstrodomePage 3

defended moving Mr James Baker from his role as secretary of state into the White House to assist his re-election campaign.

"He's been at my side in every political battle, and I think there's so much at stake in terms of what we can do to help this country, that I wanted to have

this trusted friend and adviser, with a proven record, running the White House."

The president also said he would come forward with new ideas for his "revolutionary" education programme, health care reform, and taxes, so that this year voters would have "a major choice".

He acknowledged this had been "the strangest political year I have ever seen". But, he believed, "People will come to their senses, and, in the final analysis, will say George Bush has demonstrated that he has the courage and the knowledge and the trust to sit in the Oval office."

Convention speakers in Houston were preparing for a concerted assault on Mr Clinton. Mr Rich Bond, the party chairman, said Mr Patrick Buchanan, who

unsuccessfully challenged Mr Bush in this year's Republican primaries, would "tear the bark" off the Democratic candidate in his speech today.

There were also signs, however, of potential discord over the issue of abortion. Mr Robert Dole, the Senate minority leader, backed away from the party's platform calling for a constitutional ban on abortion, seeking to draw a line between the party's stance and "the real world."

He also expressed scepticism about tax-cutting proposals from the party's fiscal conservatives. Considering the massive budget deficit, tax cuts could not be made without spending cuts or a spending freeze, he said.

Editorial Comment, Page 8
Observer, Page 9

Waigel seeks to reassure on D-Mark

By David Waller in Frankfurt

MR Theo Waigel, the German finance minister, sought to reassure Germans yesterday that there would be "no automatic doing away with the D-Mark".

The government took the worries of ordinary people about European monetary union and the eventual abolition of the D-Mark very seriously, he told the mass circulation Sunday newspaper Bild am Sonntag.

There would be a full debate in both houses of parliament before the government took a final decision on European monetary union, and the future of the currency would be decided only with the support of parliament, Mr Waigel said.

"Even if one day a common currency comes to Europe, the familiar imprint of the D-Mark will definitely remain on one side of the new notes and coins," he said. The newspaper's sister daily title, Bild Zeitung, had lamented the passing of what it called "our lovely money" after the signing of the Maastricht treaty on monetary and political union last autumn.

The minister's remarks reflected the sensitivity in Bonn political circles over wide disenchantment with the move towards a single currency, but fall short of bowing to popular demand for a referendum.

A poll by Der Spiegel news magazine after the Danish vote against the Maastricht treaty showed almost three-quarters of west Germans favouring a referendum, as well as a majority against political union combined with a common currency.

Mr Waigel also said there would be no new tax surcharge to pay for the costs of German unification. However, he said car drivers would have to pay a toll to help meet the costs of rationalising the country's railway system. Regional governments in the west of Germany would have to pay more to finance the rebuilding of the east.

The recent fall in the German inflation rate - from 4.3 per cent in June to 3.3 per cent in July - was no basis for a cut in German interest rates, Mr Ottaviano, the Bundesbank's chief economist and member of its policy-making directorate, told Welt am Sonntag yesterday.

It was essential to bring money supply growth down to the 3.5 to 5.5 per cent growth target set by the Bundesbank, and even a 3.3 per cent inflation rate was not a level with which the central bank could feel happy. The middle-term objective was to get back down to inflation "with a 2 before the comma", he said.

The Gulf states, however, hesitated over the possible presence of Egyptian and Syrian soldiers on their soil. Delays in reaching agreement on such a stop have caused irritation in Cairo and in Damascus.

In recent days, an escalation of looting and banditry has severely impeded relief operations. On Friday three trucks carrying 150 barrels of fuel for were hijacked between Elman port and Mogadishu. On Saturday a Red Cross official said 10 out of 25 trucks were looted right outside the gates of Mogadishu port.

"Nothing can be distributed to the poor and those in most need unless everybody is disarmed," said Mr Hussein Yusuf of the Red Cross. Mr Yusuf said at least 10,000 UN guards were needed to safeguard relief operations instead of the 500 blue-berets expected in Mogadishu before the end of the month.

THE LEX COLUMN

Dollar dilemma

There remains something baffling about last week's concerted intervention to support the dollar. The currency closed in Europe on Friday at DM1.4675, not much changed from the level of DM1.4610 at which the intervention occurred. At least the central banks seem to have put a brake on the dollar's fall towards its historic low of DM1.4430. Were it to slip below that point the dollar could begin a seemingly unstoppable decline. Yet the intervention was all the less convincing since it flies in the face of interest rate factors for which the central banks are also responsible.

Recent dollar weakness stems above all from the market's belief that the interest differential between Germany and the US may be set to widen. Continuing economic disappointment may prompt the US to cut rates: money supply worries may prompt an increase in Germany's internationally sensitive Lombard rate. Granted the German economy is slowing and wholesale prices are falling, but the Bundesbank drained liquidity from the money market last week, a move which could signal concern about the volume of Lombard borrowing by the banking system.

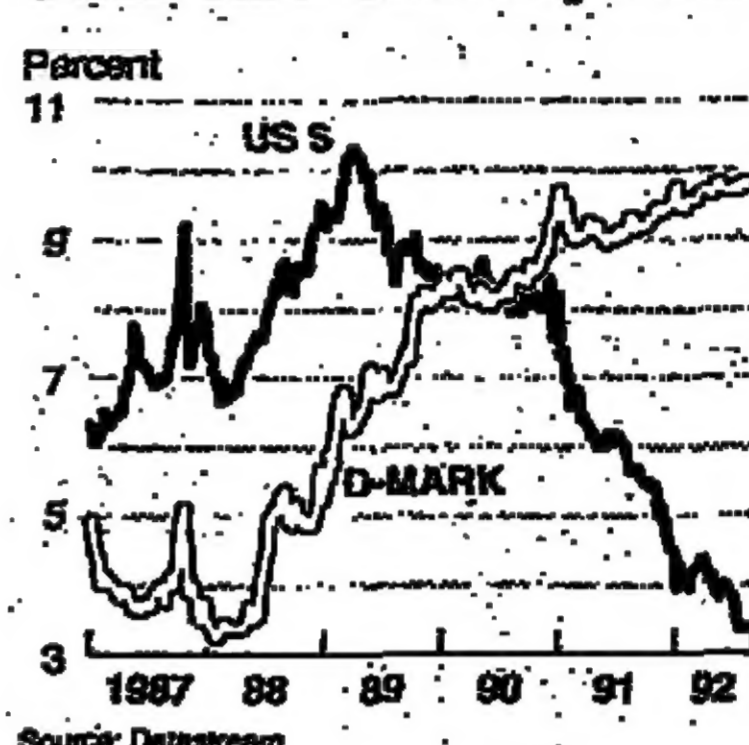
Perhaps the intervention was motivated by the fragile state of world stock markets earlier in the week. The dollar's fall was also putting the D-Mark under upward pressure within the ERM. Still more significant may have been the Federal Reserve's desire to ward off a rise in US long rates which are every bit as important to economic recovery as short rates.

Doubtless US bond yields, which are already being pushed up by election worries, would move smartly higher if the dollar did breach its previous low. The intervention came in the middle of a quarterly US Treasury funding programme in the bond market. It offered at least some comfort to foreign investors worried about the exchange risk in holding US bonds. But, if that is a serious preoccupation for the Fed, it is hardly likely to provoke the exchange market by cutting short rates further. On the US side at least, the market's worry about a wider trans-Atlantic interest differential may be overdone.

Japan

With the equity market back to 1986 levels, investors are beginning to ask whether Japanese shares represent good value. On some valuation measures Japanese industrial companies do

3mth. euro-currency rates



indeed stand direct comparison with their international competitors. Unfortunately the best support comes from exotic investment criteria. For example the ratio of a company's market capitalisation to its sales gives a fairly crude rating, but has the benefit of excluding differing accounting conventions. On that basis Toshiba has a market value of only 0.4 times its sales, while General Electric sells on 1.5 times, GEC 0.6 and Siemens 0.5. True, this says nothing about the value Toshiba extracts from sales, but it starts to argue the shares are not hugely expensive. Similarly the price to cash flow measure shows firms such as NEC, Hitachi, and even Nippon Steel holding their own.

The snag is that investors cannot eat a price to cash flow ratio, and it has become fashionable to focus on low Japanese dividends. Equity yields rose as the market fell, but there are good reasons for dividend payments to remain below western levels. Some 60 per cent of Japanese shares are held by other quoted Japanese companies; with dividends taxed at more than 50 per cent, increasing dividends becomes an expensive exercise.

At the heart of the debate about value lies profitability. It is a cliché that Japanese companies until now pursued market share at the expense of profits. With strong balance sheets, many of the larger companies might still be tempted to stick with the culture that puts corporate size above stock market performance. But pressure from banking partners who face large losses on their share portfolios is slowly shifting attitudes. Companies are moving on from cost control to rationalising their range and extending product life-cycles. Matsushita is cutting back from 50,000 to at most 40,000

product types this year, while at the same time lengthening the time between model replacements.

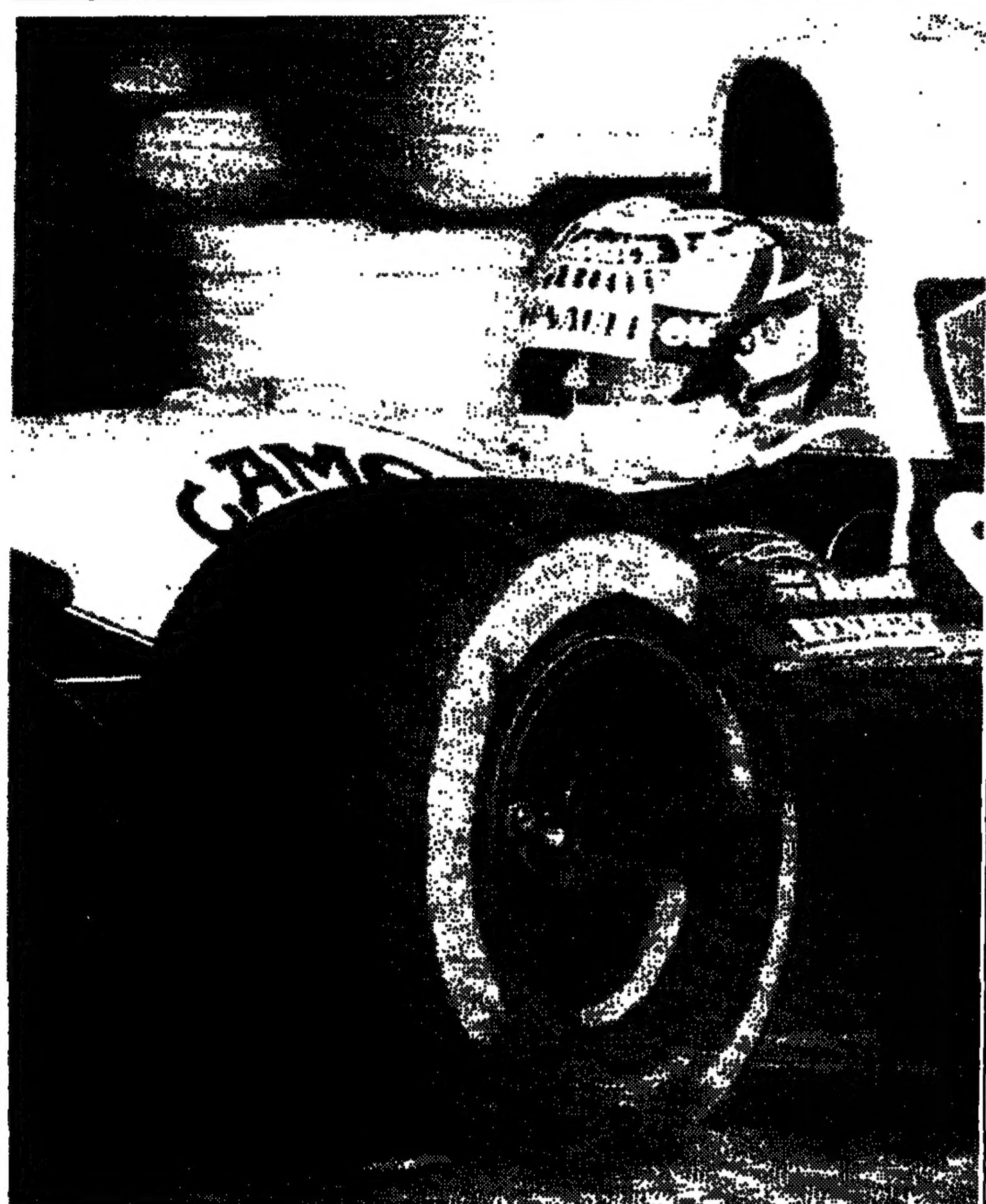
Others have made strategic change. Fujitsu has withdrawn from the US facsimile market and Toshiba has pulled out of audio products. In all cases the focus has shifted away from commodity items such as consumer durables and towards higher added value areas. But change is slow; profitability will improve, but Japanese consensual management means it will not arrive overnight. Investors looking for value in Tokyo must tread warily.

Preference shares

General Accident's proposed fixed-rate preference share issue prompts the thought that, at the level of simple arithmetic, either the company or investors in such paper seem to get a bad deal. When Commercial Union raised £100m preference capital in May its ordinary shares were yielding 6.2 per cent. The prefs were priced to yield 11.6 per cent gross. On these numbers, they looked like expensive capital for the company and a good deal for investors.

But on even modest dividend growth assumptions, prefs start to look a poor equity investment over the longer term and, conversely, cheap capital for companies. Assuming annual dividend growth of 8 per cent, Commercial Union ordinary shares will offer a higher return than the prefs from the tenth year. This does not necessarily imply that institutional buyers of prefs are extraordinarily gloomy on dividend growth. Instruments which offer a high yield and a known cash flow have value as a match for fixed liabilities such as annuities. The choice for most institutions is not between equities and preference shares, but between preference shares and gilts.

Preference shares look like cheap equity for companies because they are not really equity at all. For example, some preference shares are cumulative - missed interest is rolled-up for payment at a later date. For insurers and banks, which dominate the UK market, this debate is of little concern. The instruments are recognised as core capital by their regulators and help to boost balance sheet ratios. For non-financial companies the question is more serious. If auditors or the market refuse to recognise preference shares as equity, why not raise long-term debt and pay a lower interest rate instead?



Britain's Mansell wins Formula One championship

Nigel Mansell yesterday became the first British Formula One world motor racing champion for 16 years when he finished second in the Hungarian Grand Prix. The race was won by Ayrton

Senna of Brazil, the defending champion, but Mansell needed only four points more than his Canon Williams team-mate Riccardo Patrese, who retired from the race with a blown engine.

Mansell, who was runner-up in 1986, 1987 and 1991, secured the championship after only 11 of the season's 16 races. The last champion from Britain was James Hunt in 1976.

US threatens to bomb Iraq over access

Continued from Page 1

groups in the south of the country who have been attacked by Saddam Hussein's forces, including helicopters and fixed-wing aircraft. Reports from Iraqi opposition groups say Baghdad is trying to root out dissidents and army deserters in the southern marshes.

Iraq responded in typically aggressive fashion over the weekend. Mr Hamed Youssef Ham-madi, the Minister of Information, said in an interview released yesterday: "If attacked we will fight to the last man without regard for the consequences." He told the German

magazine Der Spiegel that Iraq also stood by its territorial claim to Kuwait and would not rule out the use of force to achieve it.

President Hosni Mubarak of Egypt, a key US Arab ally during the Gulf War, made a surprise visit to Kuwait yesterday for talks with the emir and other leaders, adds Tony Walker.

Arab and western officials said it appeared the Egyptian leader wanted to reassure nervous Gulf states of Egypt's continuing support against possible Iraqi belligerence.

Mr Mubarak's visit to Kuwait followed that of the Kuwaiti foreign minister, Sheikh Salem al-Sabah to Cairo and Damascus

last week, prompting speculation that Gulf states may be reviving plans for an Arab deterrent force.

Egypt and Syria joined the American-led coalition which ousted Iraq from Kuwait. They, together with the six Gulf states, were signatories after the war to what became known as the Damascus Declaration, to provide a framework for economic and strategic co-operation to resist regional security threats.

The Gulf states, however, hesitated over the possible presence of Egyptian and Syrian soldiers on their soil. Delays in reaching agreement on such a stop have caused irritation in Cairo and in Damascus.

UN aid shipment to Somalia looted by local militia

Continued from Page 1

headquarters in Mogadishu: "The security situation is critical. I can see them looking as I speak to you."

The official said the rest of the shipment was effectively being held to ransom by Somali port officials and gunmen who were

demanding \$140,000 for customs, clearance, security and other fees - \$100,000 more than the official had expected to pay.

Some Somali officials in Kisimayo were said to be calculating their charges at an exchange rate of 5,800 Somali shillings to the dollar, instead of the normal market rate of 7,400.

In recent days, an escalation of looting and banditry has severely impeded relief operations. On Friday three trucks carrying 150 barrels of fuel for were hijacked between Elman port and Mogadishu. On Saturday a Red Cross official said 10 out of 25 trucks were looted right outside the gates of Mogadishu port.

World Weather		°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F
		°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F
Ajaccio	S	27	81	Frankfurt	F	22	72	Managua	F	20	68	Osaka	F	24	75
Algiers	S	31	88	Geneva	F	22	72	Moscow	F	19	66	Osaka	F	24	75
Amsterdam	F	21	70	Geneva	F	22	72	Munich	F	15	59	Osaka	F	24	75
Athens	S	30	86	Geneva	F	22	72	Munich	F	15	59	Osaka	F	24	75
Bahia	S	27	81	Geneva	F	22	72	Munich	F	15	59	Osaka	F	24	75
Bangkok	S	31	88	Geneva	F	22	72	Munich	F	15	59	Osaka	F	24	75
Barcelona	S	27	81	Geneva	F	22	72	Munich	F	15	59	Osaka	F	24	75
Belfast	F	15	59	Geneva	F	22	72	Munich	F	15	59	Osaka	F	24	75
Berlin	F	17	63	Geneva	F	22	72	Munich	F	15	59	Osaka	F	24	75
Bombay	S	29	84	Geneva	F	22	72	Munich	F	15	59	Osaka	F	24	75
Bordeaux	F	25	77	Geneva	F	22	72	Munich	F	15	59	Osaka	F	24	75
		°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F
Ajaccio	S	27	81	Frankfurt	F	22	72	Managua	F	20	68	Toronto	F	24	75
Algiers	S	31	88	Geneva	F	22	72	Moscow	F	19	66	Toronto	F	24	75
Amsterdam	F	21	70	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Athens	S	30	86	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bahia	S	27	81	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bangkok	S	31	88	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Barcelona	S	27	81	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Belfast	F	15	59	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Berlin	F	17	63	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bombay	S	29	84	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bordeaux	F	25	77	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
		°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F
Ajaccio	S	27	81	Frankfurt	F	22	72	Managua	F	20	68	Toronto	F	24	75
Algiers	S	31	88	Geneva	F	22	72	Moscow	F	19	66	Toronto	F	24	75
Amsterdam	F	21	70	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Athens	S	30	86	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bahia	S	27	81	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bangkok	S	31	88	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Barcelona	S	27	81	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Belfast	F	15	59	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Berlin	F	17	63	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bombay	S	29	84	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bordeaux	F	25	77	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
		°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F
Ajaccio	S	27	81	Frankfurt	F	22	72	Managua	F	20	68	Toronto	F	24	75
Algiers	S	31	88	Geneva	F	22	72	Moscow	F	19	66	Toronto	F	24	75
Amsterdam	F	21	70	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Athens	S	30	86	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bahia	S	27	81	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bangkok	S	31	88	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Barcelona	S	27	81	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Belfast	F	15	59	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Berlin	F	17	63	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bombay	S	29	84	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bordeaux	F	25	77	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
		°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F
Ajaccio	S	27	81	Frankfurt	F	22	72	Managua	F	20	68	Toronto	F	24	75
Algiers	S	31	88	Geneva	F	22	72	Moscow	F	19	66	Toronto	F	24	75
Amsterdam	F	21	70	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Athens	S	30	86	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bahia	S	27	81	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bangkok	S	31	88	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Barcelona	S	27	81	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Belfast	F	15	59	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Berlin	F	17	63	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bombay	S	29	84	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bordeaux	F	25	77	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
		°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F
Ajaccio	S	27	81	Frankfurt	F	22	72	Managua	F	20	68	Toronto	F	24	75
Algiers	S	31	88	Geneva	F	22	72	Moscow	F	19	66	Toronto	F	24	75
Amsterdam	F	21	70	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Athens	S	30	86	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bahia	S	27	81	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bangkok	S	31	88	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Barcelona	S	27	81	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Belfast	F	15	59	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Berlin	F	17	63	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bombay	S	29	84	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bordeaux	F	25	77	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
		°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F
Ajaccio	S	27	81	Frankfurt	F	22	72	Managua	F	20	68	Toronto	F	24	75
Algiers	S	31	88	Geneva	F	22	72	Moscow	F	19	66	Toronto	F	24	75
Amsterdam	F	21	70	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Athens	S	30	86	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bahia	S	27	81	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bangkok	S	31	88	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Barcelona	S	27	81	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Belfast	F	15	59	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Berlin	F	17	63	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bombay	S	29	84	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bordeaux	F	25	77	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
		°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F
Ajaccio	S	27	81	Frankfurt	F	22	72	Managua	F	20	68	Toronto	F	24	75
Algiers	S	31	88	Geneva	F	22	72	Moscow	F	19	66	Toronto	F	24	75
Amsterdam	F	21	70	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Athens	S	30	86	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bahia	S	27	81	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bangkok	S	31	88	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Barcelona	S	27	81	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Belfast	F	15	59	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Berlin	F	17	63	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bombay	S	29	84	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bordeaux	F	25	77	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
		°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F
Ajaccio	S	27	81	Frankfurt	F	22	72	Managua	F	20	68	Toronto	F	24	75
Algiers	S	31	88	Geneva	F	22	72	Moscow	F	19	66	Toronto	F	24	75
Amsterdam	F	21	70	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Athens	S	30	86	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bahia	S	27	81	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bangkok	S	31	88	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Barcelona	S	27	81	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Belfast	F	15	59	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Berlin	F	17	63	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bombay	S	29	84	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bordeaux	F	25	77	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
		°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F
Ajaccio	S	27	81	Frankfurt	F	22	72	Managua	F	20	68	Toronto	F	24	75
Algiers	S	31	88	Geneva	F	22	72	Moscow	F	19	66	Toronto	F	24	75
Amsterdam	F	21	70	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Athens	S	30	86	Geneva	F	22	72	Munich	F	15	59	Toronto	F	24	75
Bahia	S	27	81	Geneva	F	22	72	Munich	F	15	59	Tor			

All of these securities having been sold, this announcement appears as a matter of record only.



Wellcome plc



Sale by

The Wellcome Trust Limited

of

270,000,000 Ordinary Shares

Global Co-ordinator

Robert Fleming & Co. Limited

United Kingdom

Cazenove & Co.

S.G. Warburg Securities

Robert Fleming & Co. Limited

James Capel & Co. Limited

Barclays de Zoete Wadd Securities Limited

Hoare Govett Corporate Finance Limited

N.M. Rothschild & Sons Limited

Smith New Court plc

UK Public Offer

Robert Fleming & Co. Limited

Financial Advisers to the Trust

Financial Advisers to the Company

Robert Fleming & Co. Limited

Baring Brothers & Co., Limited

August, 1992

INSIDE

C&W talks could lead to Mercury listing

Cable & Wireless, the telecommunications group, is looking for a strategic partner to take a stake in Mercury Communications which could result in a separate listing for its subsidiary, Mr. James Ross, left, chief executive, said: "We are looking for a strategic partner to invest in Mercury Communications, a long-term option would then be to seek a separate listing for Mercury." Page 12

Airline merger stalled

Canadian Airlines International has stalled controversial merger talks with Air Canada to consider a buy-out proposal from a group of its employees backed by several Canadian provincial governments. Page 14

Solvency ratio debate heats up

The debate within the UK insurance industry about the value of the solvency ratio, one of the principal tools used to measure the financial strength of non-life insurance companies, is set to heat up following a sharp rise in Royal Insurance's ratio. Page 12

Antwerp sale in restructuring

BP Chemicals has continued the restructuring of its petrochemical operations with the announcement of the proposed sale of its low density polyethylene plant at Antwerp, Nestle Chemicals, the acquisitive state-owned Finnish group, is to buy the 120,000-tonne-a-year operation. Page 12

Gifts aimed at domestic buyers

Tomorrow, the Bank of England will announce the full details of its next auction of gilt-edged stock, scheduled for August 26. This is the third auction in a row to be aimed at domestic - rather than foreign - investors. Page 16

Market Statistics

Base lending rates	25	London share index	23-25
FT-100 World index	16	Managed fund services	19-22
FT-100 UK index	16	Money markets	23
Foreign exchange	23	New int bond issues	15
London recent issues	23	World stock index	18

Companies in this issue

Air Canada	14	GRE	12
Aviva Petroleum	11	General Accident	12
BET	11	Mastercard	14
British Petroleum	12	Mercury Comms	12
Cable & Wireless	12	Nestle Chemicals	12
Canadian Airlines	14	Quebecor	14
Citic	14	Royal Insurance	12
Citicorp	11	San Paolo di Torino	14
Commercial Union	12	Sun	12
Delta Air Lines	14	TeleCommunications	12
Enichem	12	TeleWest	12
Eurocard Int'l	14	US West	12
Fidelity European	12	Vital Forsikring	14
		WB Industries	12

Citicorp bows to closer regulator scrutiny

By Patrick Harverson
in New York

CITICORP, the biggest US bank, has bowed to closer scrutiny from banking regulators, joining 500 other US banks which require 'special' attention because of financial difficulties with bad loans and shrinking capital.

The bank announced on Friday that it signed a memorandum of understanding with the US Federal Reserve and the Comptroller of the Currency as long ago as February agreeing to accept closer oversight by the regulators.

Citicorp, which is thought to be the only big US money-centre bank to have subjected itself to special oversight in this way, has been under strong pressure from regulators for the past two years to improve its finances.

According to Mr John Reed, the bank's chairman, the memorandum did not impose any new constraints on the bank's activities, but merely embraced Citicorp's publicly announced plans to strengthen its balance sheet with asset sales, securities offerings and dividend cuts.

Through its reorganisation and capital building programme, the bank has already added \$1.5bn of new capital so far this year, raising its main Tier One capital-to-assets ratio (the main capital adequacy measure used by US bank regulators) to 4.35 per cent, up from 3.71 per cent a year ago.

Richard Gourlay analyses the challenges facing John Clark at BET
Cleaning up in business services

Mr John Clark has achieved a great deal in the 16 months since taking over as chief executive of BET, the UK's most diversified business services company.

In spite of having to halve the dividend after a profits collapse last year, he has led the company from the emergency room where it was confined after a £1bn jump down the acquisition trail in the late 1980s.

Crucially last week he went a long way towards completing the rehabilitation of the balance sheet by redeeming £200m of auction market preferred stocks through a rights issue.

But Mr Clark may have only completed the easy part. In one of the toughest recessions the UK has seen, BET faces the challenge of sorting out its five divisions and 110 operating companies.

Even if this rehabilitation is successful - and Mr Clark must have been hoping for more help from his cyclical businesses from a little economic recovery - BET is in danger of being left behind by competitors like Hays Group, Christian Salvesen and Rentokil.

While these more focused companies are pushing into higher growth areas for the future, Mr Clark's time will be consumed in a struggle to sort out the legacy he inherited from his predecessor, Mr Nicholas Wills.

"I think the management is doing the right things to get improved returns from existing businesses but has BET got the kind of businesses to deliver long-term growth?" asks Mr Bob Carpenter, analyst at stockbrokers Kleinwort Benson. "Every company is a prisoner of its circumstances and history."

According to Mr Ronnie Frost, chief executive of rival Hays, the City did not fully realise how deeply BET was in trouble when Mr Clark took over. "He is doing a hell of a job in incredibly difficult circumstances," he says. "But he now has to put the businesses into controllable cores so

he can tell a story that makes sense rather than just say: 'have business services group, will do anything'."

Up for grabs, Mr Clark says, is a business services market that should grow as recession forces more companies to contract out and is worth £40bn in the UK and \$800bn (\$420bn) in the US.

But before BET can properly reposition itself for this market it has two problems to address. First of all there is the clutch of companies losing money and deeply exposed to the construction industry. Boulton & Paul, the joinery business, lost money last year and the contract plant business has little to differentiate it from a multitude of other companies not able to rent out scaffold planks and poles.

More fundamentally, many of BET's businesses, though cash generative, show little growth potential and are in mature markets with few barriers to entry. In distribution, for example, BET is mainly involved in transporting bulk chemicals and foodstuffs.

Hays, on the other hand, has almost entirely moved beyond the simple movement of bulk products, winning dedicated delivery contracts for Waitrose, Tesco and Scottish & Newcastle Breweries.

Likewise with document handling, Hays has built up an extremely cost-effective document storage, data delivery and overnight mail service in a growing market. By way of contrast, two of BET's strongest cash generators - its washroom towel business and textile rentals - are both under strong margin pressure from a plethora of 'me-too' competitors.

BET's dire financial condition also forced it to dispose of promising businesses. Biffa, the waste management company, may have been sold for a high price to Severn Trent in 1991 and may have helped stave off insolvency. But it deprived BET of one of the few companies with exciting potential, according to Mr Paul Beaufre, business services analyst at stockbrokers James Capel.

Market falls lead to UK bid difficulty

By Maggie Urry in London

RECENT instability in the UK stock market has led to takeover bids involving paper offers running into difficulty as fund managers seek to reduce their exposure to equities.

Corporate financiers say institutions are unwilling to underwrite cash alternatives for bids. All-paper offers are also proving unpopular with fund managers, many of whom see a cash bid as one way of reducing their equity holdings.

Two current bids - the Kalon Group bid for Manders (Holdings) and the T Cowie bid for Henlys Group - were judged by the stock market on Friday as unlikely to succeed.

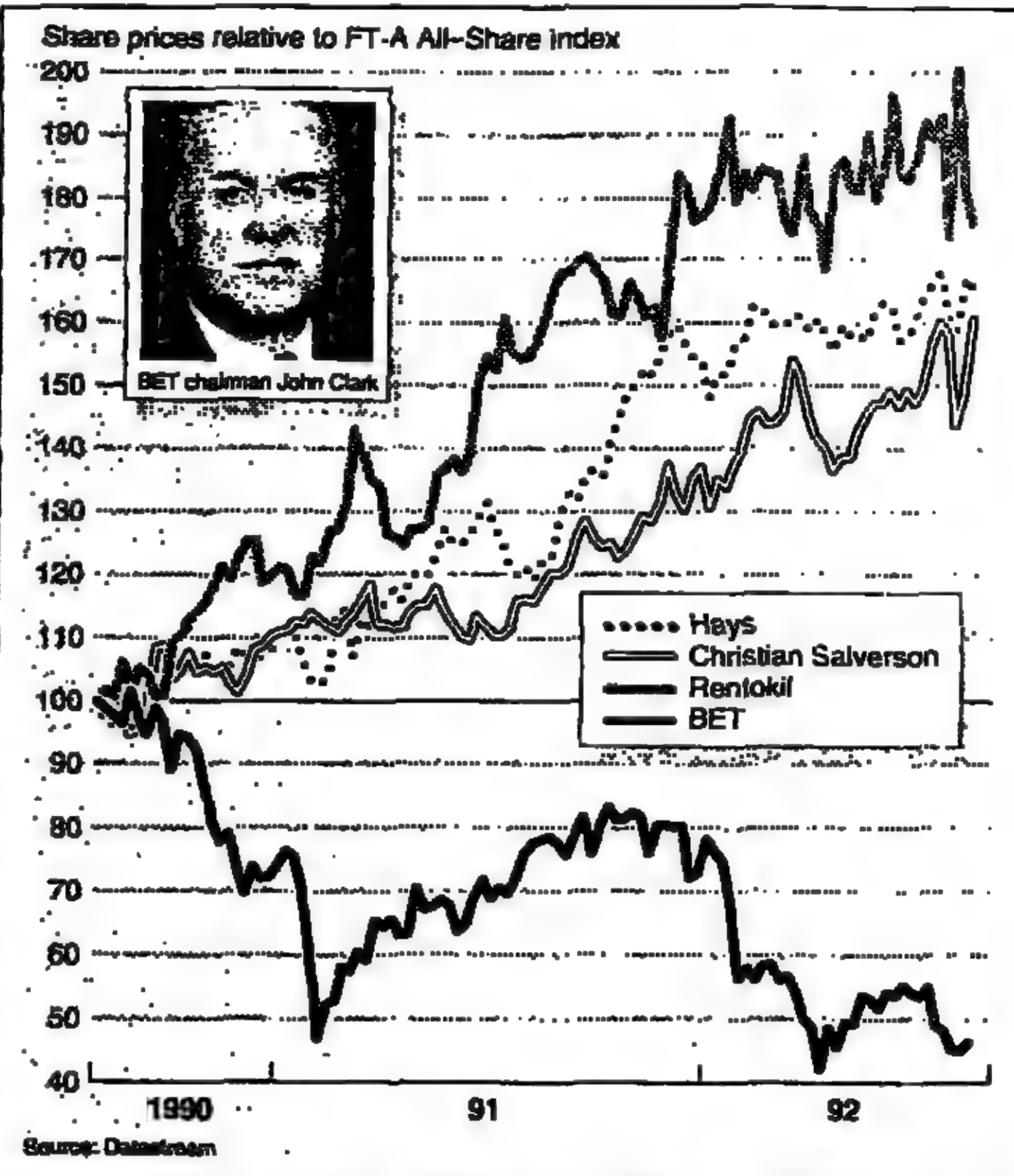
In the paint industry battle, Kalon's offer of 17 of its shares for 6 Manders, valued each Manders share at 232.3p at Kalon's closing price of 82p, while Manders' share closed well below that at 211p. Kalon introduced a partial cash element to its bid when it increased the offer on August 7. This bid is of 14 shares plus 300p in cash for every 6 Manders shares, suggesting that each Kalon share should be valued at 100p. Under these terms - with cash accounting for just over a fifth of the offer value - Manders shares are worth 241.3p at Friday's closing Kalon share price, and Manders is valued at £20m.

However, Manders largest shareholder, the British Steel Pension Fund with a 22 per cent stake, is refusing the offer because it does not want to take Kalon paper. Kalon's offer closes on Friday this week.

Meanwhile, in the takeover battle in the motor traders sector, moves on the stock market on Friday suggested the offer was expected to fail. Cowie's shares rose 3p on Friday to 118p, while Henlys fell 1p to 74p.

Cowie's all share offer of 7 shares for every 10 Henlys shares equates to 82.6p on each Henlys share, and values the group at £31.3m.

Cowie also introduced a cash element when it increased its offer last week, adding 40p to its original offer of one Cowie share for every two Henlys. Under these terms - with about a quarter of the price in cash - Henlys shares are valued at 79p each. This bid's final closing date is September 1. Manders said in its original defence document that only four all-share takeover bids have succeeded in the UK in the last five years.



PERSONAL VIEW
A way out of recession

By Gavin McCrone



As pressure mounts on the UK government over interest rates and the exchange rate mechanism (ERM), one of the oddest features of the recent parliamentary session was the sight of Conservative backbenchers arguing for devaluation, a policy which the Tory party has historically opposed.

The truth is that neither an ERM realignment nor lower interest rates would be an easy answer to Britain's economic woes.

Sterling's downwards adjustment within the ERM would be so damaging to its credibility that higher interest rates would follow; while a cut in interest rates combined with sterling's withdrawal from the ERM would cause a substantial depreciation of the currency.

This would result in price increases for imports and serious inflationary knock-on effects.

Because the British economy is today both more open and more integrated with its European partners, devaluation would be a less effective weapon than it was 20-30 years ago, or than it still is for the US. Devaluation aside, there is still much the government can do.

Some clues can be found by comparing the impact of the recession on southern England and Scotland.

Gross domestic product north of the border has held up better than in the rest of the country.

One consequence is that unemployment in Scotland has risen proportionately less than elsewhere in the UK.

More significantly, house prices have continued to advance modestly in Scotland, whereas in south-east England they have fallen by some 30 per cent since their peak at the end of the 1980s.

The reasons behind the recession's uneven impact have to do with the housing market. Scotland has just over 50 per cent of its housing stock in owner occupation compared with nearly 70 per cent in England as a whole; the figure

of home ownership. The relative house price stability there has meant that the impact of recession on consumer expenditure has been less severe than in England.

Many argue that a period of increased general inflation will be necessary to rectify this imbalance between asset values and outstanding debt, before recovery can get under way. This seems a counsel of despair. Certainly something must be done to put some life back into the housing market.

Further encouragement to home ownership through the raising of mortgage tax relief might give short-term benefit but at the cost of perpetuating an expensive distortion and compounding the core problem. A mortgage benefit scheme would be a better idea but would be costly.

But the real oddity of the housing market is the virtual absence of a private rented sector, a surprising anomaly after 13 years of a Conservative government pledged to the free market.

Elsewhere in Europe, where there is little local authority owned housing, private rented accommodation plays a significant role, both subsidised for social housing and on a straight commercial basis.

Two factors killed the UK private rented sector: rent controls, which have now been removed; and competition from the subsidised publicly-owned sector and from owner occupa-

tion, the latter benefiting from mortgage tax relief. As a result, the quality of private rented housing has deteriorated.

What is needed to lift the private rented sector and the overall housing market are fiscal incentives of the kind outlined by the housing inquiry chaired by the Duke of Edinburgh and published by the Joseph Rowntree Foundation in June 1991.

To ensure these incentives help to generate recovery from the present recession they would need to be on a sufficiently large scale. This could probably be achieved only if financial institutions could be persuaded to invest in the sector and if the incentives were targeted at social as well as commercial housing.

Critics argue that increased government spending on housing will push up an already large public sector borrowing requirement (PSBR).

But the PSBR is largely a product of the recession which this expenditure would be aimed at ending. Increased state spending on housing would in turn attract much-needed investment from a previously untapped source, helping to upgrade a poorly-maintained housing stock; it would improve labour mobility, essential to the health of the economy; above all an enlarged private rented sector would help to stabilise the housing market both in boom and recession.

The author is Professor of Economics at Glasgow University. Economics Notebook will return next week.

Unit trusts faced with hedging restrictions

By Richard Waters in London

BRITISH unit trusts, which manage some £37bn (\$108bn) have been effectively barred from hedging their investment portfolios following guidance from a City of London regulator. The unofficial guidance caught fund managers unawares and has led to a review of their use of derivatives markets.

The guidance, issued at a private conference for trustees recently by a staff member of Imro, the investment regulator, means managers of unit trusts are not allowed to use derivative instruments except in rare circumstances.

Mr Graham Dunnachie of Imro told trustees of unit trusts that their fund managers should only buy derivatives based on particular market indices if there is at least a 95 per cent correlation between that index and their own investment portfolio.

That means the manager of a portfolio of UK shares could not use the FT-SE 100 futures contract traded on Liffe unless his own portfolio matched the FT-SE 100 index almost exactly. Such a correlation is only followed by specialised indexed funds.

The ruling, aimed at preventing fund managers using derivatives for speculation rather than hedging, creates particular problems for international fund managers, who generally have investments spread across a number of markets.

"I don't think people at Imro have any idea of what derivatives are about," one unit trust fund manager said last week.

ANY POINT ON THE YIELD CURVE.
ANY TIME OF THE DAY.

CBOT U.S. Treasury Products. Now Trading When You Are.

More hours. More opportunities. More convenience. The CBOT gives you more because the T-Bond and 10-Year, 5-Year and 2-Year T-Note futures and options are now also offered during the new GLOBEX® trading session.

So you can trade virtually any hour, in any time zone. Respond immediately to world economic news, or your own economic needs. Morning, noon, or night.

Greenwich Mean Time	Trading Sessions	Chicago Time (Central daylight savings)
0430 - 1200	GLOBEX	10:30pm - 6:00am
1300 - 2400	Open Outcry	7:30am - 2:45pm
0020 - 0305	Open Outcry	6:30pm - 9:05pm

To learn more about opportunities in these markets, call your broker or the CBOT at (071) 929-0021 (London) or (312) 435-3558 ext. 4000 (Chicago).

Chicago Board of Trade

GLOBEX® is a registered trademark of the GLOBEX Joint Venture, L.P. ©1992 the Chicago Board of Trade

COMPANIES AND FINANCE

Telecommunications group seeks strategic partner C&W talks could lead to listing for Mercury

By Roland Rudd

CABLE & WIRELESS, the telecommunications group, is looking for a strategic partner to take a stake in Mercury Communications which could result in a separate listing for its subsidiary.

Mr James Ross, chief executive, said: "While Mercury does not need a link-up with another company we are looking for a strategic partner to invest in Mercury Communications."

"This would enhance its value within the group and would ensure the market valuation of Cable & Wireless properly reflected the value of Mercury. A long-term option would then be to seek a separate listing for Mercury."

Cable & Wireless is currently in negotiations to form a partnership between Mercury and US West, the North American Telephone company.

Fears that US West would not receive the regulatory permission to take a stake in Mercury because it holds an international licence have so far proved unfounded.

While Mr Ross declined to comment on any talks that may be taking place, he outlined the reason for seeking a partner for Mercury.

"We believe a strategic partner for Mercury would link its long-distance services with a local network and an equity injection could be used either to repay debt or make further acquisitions. We are, however, in no hurry to do a deal."

An enhancement of Mercury's value would make a separate listing more likely in the long-term since by selling a stake to another group it will have established a market price.

The Hong Kong Telecom sub-



James Ross: "We are not in any hurry to do a deal"

sidary of Cable & Wireless has its own listing on the Hong Kong, New York and Pacific stock exchanges.

The talks with US West underline the importance that Cable & Wireless attaches to finding a strategic partner for Mercury to challenge the dominance of BT in the UK.

As one of the "baby bell" US regional companies born in the aftermath of the break-up of American Telephone and Telegraph in 1984, US West would need permission to take a stake in Mercury in order to participate in international services.

The Federal Communication Commission, the US regulatory authority, said waivers to par-

ticipate in international services had been given to "baby bell" companies in the past and would probably be given in the future.

Negotiations between the two companies may be prolonged. Cable & Wireless is also negotiating with US West to take a stake in TeleWest, its cable television joint venture in the UK.

TeleWest, which provides local telephone services, is a joint venture between US West and Telecommunications, the US cable television group.

The inclusion of a third party in the negotiations is one of the reasons why the talks are likely to be prolonged.

Solvency ratio debate starts hotting up

Richard Lapper discusses the reaction to Royal Insurance's restructuring move

THE DEBATE within the insurance industry about the value of the solvency ratio, one of the principal tools used to measure the financial strength of non-life insurance companies, is set to hot up following a sharp rise in Royal Insurance's ratio after its restructuring last week.

The logic of the solvency ratio seems straightforward enough. The stronger a company's capital base the less chance there is of it being unable to pay insurance claims, and the more insurance policies it can sell. The volume of premium income acts as a kind of proxy for the scale of risk being assumed.

But the ratio has a number of shortcomings. For a start, the definition of what constitutes an adequate ratio varies widely. Industry regulators insist on a minimum of between 16 and 18 per cent, but are likely to press for corrective action long before this point is reached.

The market - insurance brokers, analysts and investors in insurance companies - has

points out that it means Royal is now presenting its solvency on a different basis to other companies in the sector. More generally, after recent losses and declines in asset values have eaten into the industry's strength and increased the need for closer scrutiny, analysts are beginning to question the value of the indicator.

The logic of the solvency ratio seems straightforward enough. The stronger a company's capital base the less chance there is of it being unable to pay insurance claims, and the more insurance policies it can sell. The volume of premium income acts as a kind of proxy for the scale of risk being assumed.

But the ratio has a number of shortcomings. For a start, the definition of what constitutes an adequate ratio varies widely.

Industry regulators insist on a minimum of between 16 and 18 per cent, but are likely to press for corrective action long before this point is reached.

The market - insurance brokers, analysts and investors in insurance companies - has

gradually become less conservative about the level it regards as adequate. During the 1970s, a ratio of less than 50 per cent was considered worrying. More recently the level of acceptability has fallen to as low as 30 per cent.

"There's been a general recognition that from a shareholder's point of view too much solvency can depress your rate of return on capital," says an executive with one leading UK insurer. "It is a moving target to some extent," says Mr Yousef Zaia of Morgan Stanley, another securities house.

Regulatory and market assessments of the assets that can be taken into account for the calculation vary. UK regulators insist on a very precise and complex definition of admissible assets, with limits on particular categories of assets. For example, if an insurance company had invested a quarter of its assets in one single company, for solvency purposes it would only be able to take into account a proportion of these. Regulators are also only

interested in the business conducted by the operating insurance company. By contrast in assessing their own solvency, companies may include assets held at group level. Commercial Union takes the value of its extensive life insurance businesses outside the UK, including those registered in the name of its large Dutch subsidiary, Delta Lloyd. It also brings the value of a UK "non participating" life assurance fund into the picture, which contributes a further £90m to net assets and boosts solvency to 42.5 per cent.

By including the value of the life business which it has "sold" to its group holding company, Royal too has converted its life business into an asset for its general insurance business. On the other hand Sun Alliance, the strongest insurer (with a ratio in the mid-fifties according to analysts), Guardian Royal Exchange (about 40 per cent) and General Accident (38 per cent) do not include extensive life insurance businesses when they make calculations. The ratio has also been crit-

icised because it fails to adequately indicate the real level of risk a company is running. Companies can, in effect, be penalised for taking measures to reduce risk.

All other things being equal, an increase in premium rates, for example, will lead to higher premium income and a drop in the solvency ratio. On the other hand a company cutting premiums to win market share might be insuring more risks for the same premium income. This increase of risk would, however, not be reflected in a falling solvency margin.

The measure also fails to differentiate between classes of risk on an insurer's books. The risks incurred in insuring a motor car are much less than those in insuring an oil rig, for example. Yet £1 of premium earned from either policy counts for exactly the same in the solvency calculation.

"It is a very wide measure that doesn't take into account different risk exposures," says Mr Paul Found of Commercial Union.

BP continues restructure of chemicals

By Paul Abrahams

BP CHEMICALS continued the restructuring of its petrochemicals operations with the announcement of the proposed sale of its low density polyethylene plant at Antwerp.

Neste Chemicals, the acquisitive state-owned Finnish group, is to buy the 120,000-tonne-a-year operation.

Terms were not disclosed. However, with low density polyethylene prices at about DM1.17 a kilo, the plant's turnover would be about DM140m (£89.6m). It makes tubular polyethylene for wire and cable insulation and packaging materials.

BP Chemicals said the sale was part of its efforts to focus its polyolefins operations on areas of competitive strength. The company would concentrate

on ethylene derivative production where it could use cheap gas rather than naphtha feedstocks. It is currently building a 330,000-tonne-a-year plant at its Grange-mouth complex.

The company said the sale would have no effect on the south Wales Baglan Bay ethylene plant that supplies the Antwerp polyethylene business.

A transitional agreement has been agreed between the groups so that BP Chemicals will supply ethylene for two years. Industry observers believe an option exists for the company to close a 130,000 tonne train at the Baglan Bay site. There is another 210,000 tonne train there. As many as 120 workers have already been made redundant.

Neste, Europe's second largest polyolefins manufacturer, already has a joint ven-

ture with Petrofina called FinaNeste which has more than 1m tonnes ethylene capacity at Antwerp. The group also has polyethylene plants in Finland, Sweden and Portugal.

BP Chemicals said between 250 and 300 of its 900 staff at Antwerp would transfer to Neste as part of the deal. A further 100 jobs would be lost.

In a separate deal, Neste is also buying BP America's performance polymers business at Hackettstown, New Jersey. Its 40,000 tonne a year plant makes polyethylene and other polymers and employs 125 people, all of whom will transfer to Neste. Financial details were not given.

The sales follow BP's announcement earlier this month of a strategic alliance with Enichem of Italy in styrene and polyethylene.

Beazer settles Koppers case

Beazer, the construction company, has agreed to pay a \$760,000 (\$398,000) penalty to settle a civil case filed in relation to the acquisition of Koppers Co., the US Justice Department announced.

The government charged Beazer with failing to notify the Justice Department and the Federal Trade Commission that it had acquired more than \$15m in Koppers securities.

Beazer violated the regulations in 1987 and 1988, the government claimed.

Beazer, which paid \$1.8m for Koppers, was purchased last year by Hanson.

NEWS DIGEST

Aviva looks to Colombia

MR DENYS Milne, chairman of Aviva Petroleum, told the annual meeting that the directors and management continued to believe that the "brightest prospect" for the company involved further development of the Colombian assets.

He said oil revenues were now being received from new production in Colombia and that operations in the US were now cash flow positive.

Following the restructuring, approved by shareholders at the extraordinary meeting fol-

lowing the agm, the Royal Bank of Scotland will own 16 per cent of Aviva's capital.

WB Industries

Directors of WB Industries, a manufacturer of springs and pressings, said they were in discussions that may or may not lead to a reshaping of the group.

As a consequence, the announcement of the preliminary results for the year to end-December would not be made until they had concluded the talks, which could include the making of a "significant acquisition".

Fidelity European

At the end of June net asset

value of Fidelity European Values stood at 101.56p.

The company was incorporated on August 16 last year. For the period to June 30 income totalled £1.46m including dividend receipts of £1.02m, and earnings per share came to 0.58p.

Avonmore

Avonmore Foods has established a joint venture in Hungary which has paid £504,000 (£474,000) to purchase the assets of a dairy business north-east of Budapest.

Avonmore has taken 75 per cent with the remainder held by Nograd Tej Kft.

Significant development of the liquid milk business was planned.

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
General Electric Capital Corp (US)	Avis Leasing	Vehicle leasing	£500m	Deal completed
Investor Group (Mexico)	Unit of Poly Peck (UK)	Fresh produce	£260m	Administrators agree sale
International Paper (US)	Kwidzyn Pulp & Paper (Poland)	Paper manufacture	£89m	Renewed inf expansion
Northern Telecom (Canada)	Malra Communications (France)	Telecoms equipment	£73m	EC commission approves
Polygram (Holland)	Interscope (US)	Film production	£18m	Strategic purchase
Guinness (UK)	Union Cervencera (Spain)	Brewing	£5m	Outstanding offer
George Wimpey (UK)	Severokamen (Czech Republic)	Quarrying	£5m	Minimum 50% stake planned
Glunz (Germany)	Isoroy (France)	Timber	n/a	Pilnaut debt cut sale
Primark (US)	Dataseam (UK)	Information services	£100m	Dun & Bradstreet disposal
Dogus Holding (Turkey)	Unit of Poly Peck (UK)	Hotels	n/a	Local Sheraton Voyager offer

CROSS BORDER M&A DEALS

DISPOSALS of various kinds provided last week's more interesting international corporate developments, writes Brian Bollen.

The week saw two developments in the dismemberment of Poly Peck International, which collapsed almost two years ago. In the biggest new deal, the group's administrators agreed to sell PPI Del Monte Fresh Produce to a Mexican-led investor group for \$499m (£261m). The administrators also received a bid for the company which owns the Sheraton-Voyager Hotel in the Turkish resort of Antalya.

The week's biggest non-core disposal was US business group Dun & Bradstreet's sale of London-based Dataseam International. The buyer, Virginia-based holding company Primark, is in the process of changing from a utility-based conglomerate to an information services group.

In France, the sale of Isoroy continues Pinault's debt reduction programme and its efforts to refocus away from timber and into retailing.

Eastern Europe continues to generate deals sporadically, despite the criticisms of some investment bankers that there is no money to be made there. Poland's shattering privatisation programme took a step forward with the announcement by International Paper, the US forest products group, of its first venture in the region. The purchase of Kwidzyn Pulp and Paper marks a new phase in the company's international expansion after its domestic and European growth in the 1980s.

NOVUM
NOTICE OF EARLY REDEMPTION
to the Holders of
Euronovum N.V.
U.S.\$60,000,000
12% Guaranteed Notes due 1993
Unconditionally Guaranteed by Novum, S.A. de C.V.
(Incorporated under the laws of the United Mexican States)

NOTICE IS HEREBY GIVEN in accordance with the provisions of the Fiscal Agency Agreement dated as of September 27, 1990 between Euronovum N.V., Novum, S.A. de C.V. and Banque Générale du Luxembourg, S.A. (the "Fiscal Agent"), that Euronovum N.V. has elected to redeem on September 28, 1992 (the "Redemption Date") all of its U.S.\$60,000,000 12% Notes due 1993, as permitted by Section 4(b) of the Terms and Conditions of the Notes, at a redemption price of 100.4055% (the "Redemption Price") of the principal amount thereof together with accrued interest to the Redemption Date.

The Redemption Price of the Notes will be payable on or after the Redemption Date upon presentation and surrender of the Notes, together with all appurtenant coupons maturing after the Redemption Date, at the offices of the Paying Agent mentioned on the reverse of the Notes. In the event any coupon is not so attached, the face value of any missing unattached coupon will be deducted from the sum due "or payment."

Coupons which mature on the Redemption Date should be detached, presented and surrendered for payment in the usual manner.

On and after the Redemption Date, interest on the Notes will cease to accrue, and all coupons maturing after the Redemption Date will be void.

By: The Fiscal Agent
Banque Générale du Luxembourg, S.A.
Dated: August 17, 1992

NOTICE OF REDEMPTION AND TERMINATION OF CONVERSION RIGHTS
Ajinomoto Co., Inc.
U.S. \$120,000,000
3 per cent. Convertible Bonds due 1999 (the "Bonds")

NOTICE IS HEREBY GIVEN that, in accordance with the provisions of the Trust Deed dated 27th April, 1994 between Ajinomoto Co., Inc. (the "Company") and The Bank of Tokyo Trust Company, Inc. as Trustee, under which the above-described Bonds were constituted, the Company has elected to exercise its right to, and shall, redeem on 30th September, 1992, all of its outstanding Bonds at the redemption price at par of the principal amount thereof, together with accrued interest to such date of redemption.

The payment of the redemption price and accrued interest will be made on and after 30th September, 1992 upon presentation and surrender of the Bonds, together with all coupons appurtenant thereto maturing subsequent to 30th September, 1992 at the principal office in the city indicated below of any of the following Paying Agents:

Banque Paribas Trust Company, Inc., New York, New York
Banque Internationale à Luxembourg S.A., in Luxembourg
Deutsche Bank Aktiengesellschaft, in Frankfurt
Dai-ichi Kangyo Bank, Ltd. in Japan
Svenska Bank Aktieförbundet, in Stockholm
The Bank of Tokyo Trust Company, Inc. in London
The Bank of Tokyo Trust Company, Inc. in London
Banque Paribas, in Paris

On and after 30th September, 1992, interest on the Bonds will cease to accrue. The Bonds may be converted into shares of Common Stock of the Company at the conversion price (with Bonds taken at their principal amount translated into Japanese Yen at the rate of Yen 225 equals U.S. \$1) of Yen 94.10 per share of Common Stock. The certificate for the Company's Common Stock is issuable only in Units of 1,000 shares or integral multiples thereof. A cash adjustment will be paid for any fraction of a Unit.

Each bondholder who wishes to convert his Bonds should deposit his Bonds, together with all unattached coupons, with any of the Conversion Agents being the same as the Paying Agents specified above, accompanied by a notice of conversion (the form of which notice is available from any of the Conversion Agents). SUCH CONVERSION RIGHT WILL TERMINATE AS TO ALL BONDS AT THE CLOSE OF BUSINESS ON 30TH SEPTEMBER, 1992.

For the information of the bondholders, the reported closing price of the Common Stock of the Company on the Tokyo Stock Exchange on 7th August, 1992 was Yen 1,120 per share. The aggregate principal amount of Bonds outstanding as at 31st July, 1992, was \$205,000.

Ajinomoto Co., Inc.
By: The Bank of Tokyo Trust Company, Inc. as Principal Paying Agent
Dated: 17th August, 1992

IN accordance with the Terms and Conditions of the Notes, notice is hereby given that for the interest Period from 13th August 1992 to 13th November 1992, the Notes will bear a Rate of Interest of 10.3125% per annum. The amount of interest payable on 13th November 1992 will be £129.61 per £5,000 Note and £1,296.11 per £50,000 Note.

AGENT BANK: CHARTERHOUSE BANK LIMITED
A member of The Securities and Futures Authority

CHARTERHOUSE

National & Provincial Building Society
Fixed Rate Notes 1999
Notice is hereby given that for the three months 13th August, 1992 to 13th November, 1992 the Notes will carry an interest rate of 10.375% per annum with a coupon amount of £260.79 per £10,000 Note and £2,607.92 per £100,000 Note payable on 13th November, 1992.

Bankers Trust Company, London, Agent Bank

DIVIDEND NOTICE
PLACER DOME INC.
Notice is hereby given that a regular quarterly dividend, being Dividend No. 21 of six and one-half cents (6½¢) U.S. per Common Share, has been declared payable on September 28, 1992 to shareholders of record at the close of business on August 28, 1992.

Shareholders with addresses in Canada or Australia will be paid the equivalent amount in the currency of the respective country.

BY ORDER OF THE BOARD
John A. Eckersley
Vice-President,
Secretary and General Counsel
August 7, 1992

COMMERZBANK OVERSEAS FINANCE N.V.
U.S.\$ 100,000,000 Floating Rate Notes Due 1999
In accordance with the provisions of the Notes notice is hereby given that for the three months period from August 13, 1992 to November 13, 1992 (92 days) the Notes will carry an interest rate of 3.5% per annum with a coupon amount of U.S.\$ 89.44 per U.S.\$ 10,000 Note and U.S.\$ 2,236.11 per U.S.\$ 250,000 Note payable on November 13, 1992.
Frankfurt/Main, August 1992
COMMERZBANK

COMMERZBANK OVERSEAS FINANCE N.V.
U.S.\$ 200,000,000 Floating Rate Notes Due 1993
In accordance with the provisions of the Notes notice is hereby given that for the six months period from August 14, 1992 to February 16, 1993 (185 days) the Notes will carry an interest rate of 3.4375% per annum with a coupon amount of U.S.\$ 177.80 per U.S.\$ 10,000 Note and U.S.\$ 4,445.10 per U.S.\$ 250,000 Note payable on February 16, 1993.
Frankfurt/Main, August 1992
COMMERZBANK

TRADING STRATEGIES & IDEAS
Currencies • Bonds
Energy • Metals &
Oil Markets
Setting The Trend For Others To Follow

Trend Analysis Ltd
Planned House
22 Southgate Street
Wichampton
Hants SO22 2BN
Tel: 0962 879764

THIS NEWSPAPER AND YOU

If you have a complaint about an item in this newspaper which concerns inaccuracy, intrusion, harassment or discrimination, write to the editor about it.

If you're still dissatisfied you can write to the Press Complaints Commission, an independent organisation established to uphold an editorial Code of Practice for the Press.

THIS NEWSPAPER ABIDES BY THE P.C.'S DECISIONS

PC
1 SALISBURY SQUARE LONDON EC4Y 8AE
Telephone 071 631 1238 Telex 071 631 8355
This space has been donated by the publisher

FLASH LIMITED SERIES F
U.S. \$30,000,000
Secured Floating Rate Notes Due 1993
In accordance with the conditions of the notes, notice is hereby given that for the three-month period 17th August 1992 to 17th November 1992 (92 days) the notes will carry an interest rate of 3.5875% p.a. Relevant interest payments will be as follows:
Notes of U.S. \$100,000 U.S. \$916.81 per coupon.
THE SANWA BANK LIMITED
Agent Bank

g up
ring move

acted because it fails to adequately indicate the real level of risk a company is running. Companies can, in effect, be penalised for taking measures to reduce risk.

A other things being equal, an increase in premium rates, for example, will lead to higher the solvency ratio. On the other hand a company cutting its premiums to win market share for the same premium income. This increase of risk would however not be reflected in a falling solvency margin.

The measure also fails to differentiate between classes of risk or an insurer's books. The rates charged in insuring a motor car are much less than those in insuring an oil rig, for example. But if of premium earned from either policy counts for exactly the same in the solvency calculation.

Beazer settles Koppers case

Beazer has agreed to pay a \$100,000 penalty to settle a case filed in court by the US Justice Department.

The department charged Beazer with failing to note the Justice Department as the primary state contractor that had acquired the rights to build in Koppers.

The department claims the rule to be broken was that the government must be notified of any contract awarded to a private contractor.

provided last week's more detailed developments. writes for

bank in the dismemberment of a collapsed almost two years ago group's administrators agreed to date to a New Zealand investor.

administrators also received a \$100,000 fine for the Voyager Hotel in

a response with US business group. The group's Datastream, a data-based holding company, changing from a utility-based to a service-based group.

continues to pursue a way from the group's debtors away from

generally held separately. a government-owned bank that there is a significant probability

and with the announcement by a group of its first subsidiaries of a merger. Pulp and Paper

company's international expansion plan growth in the 1990s.

it your newsstand!

WEEKLY

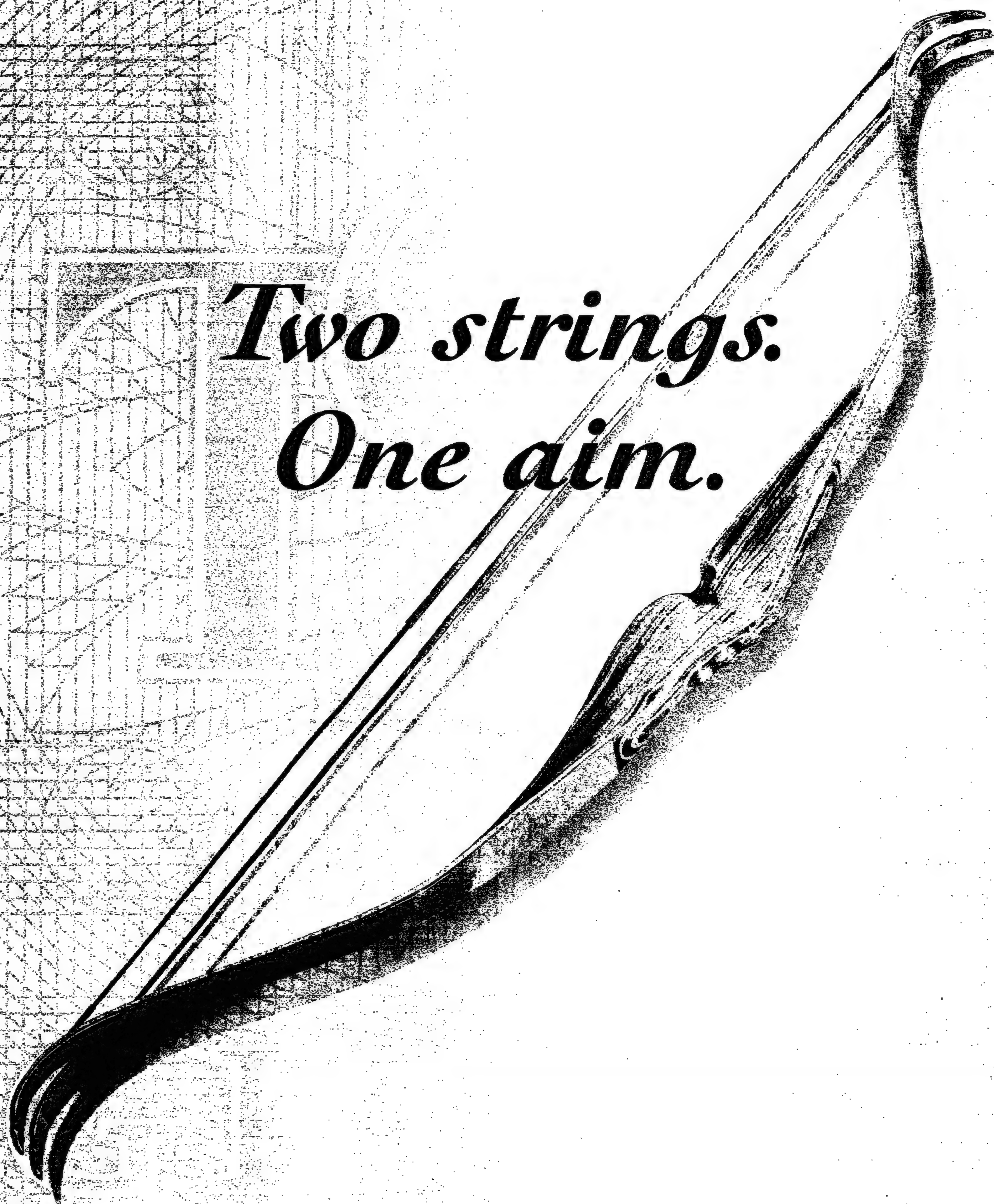
WEEKLY

WEEKLY

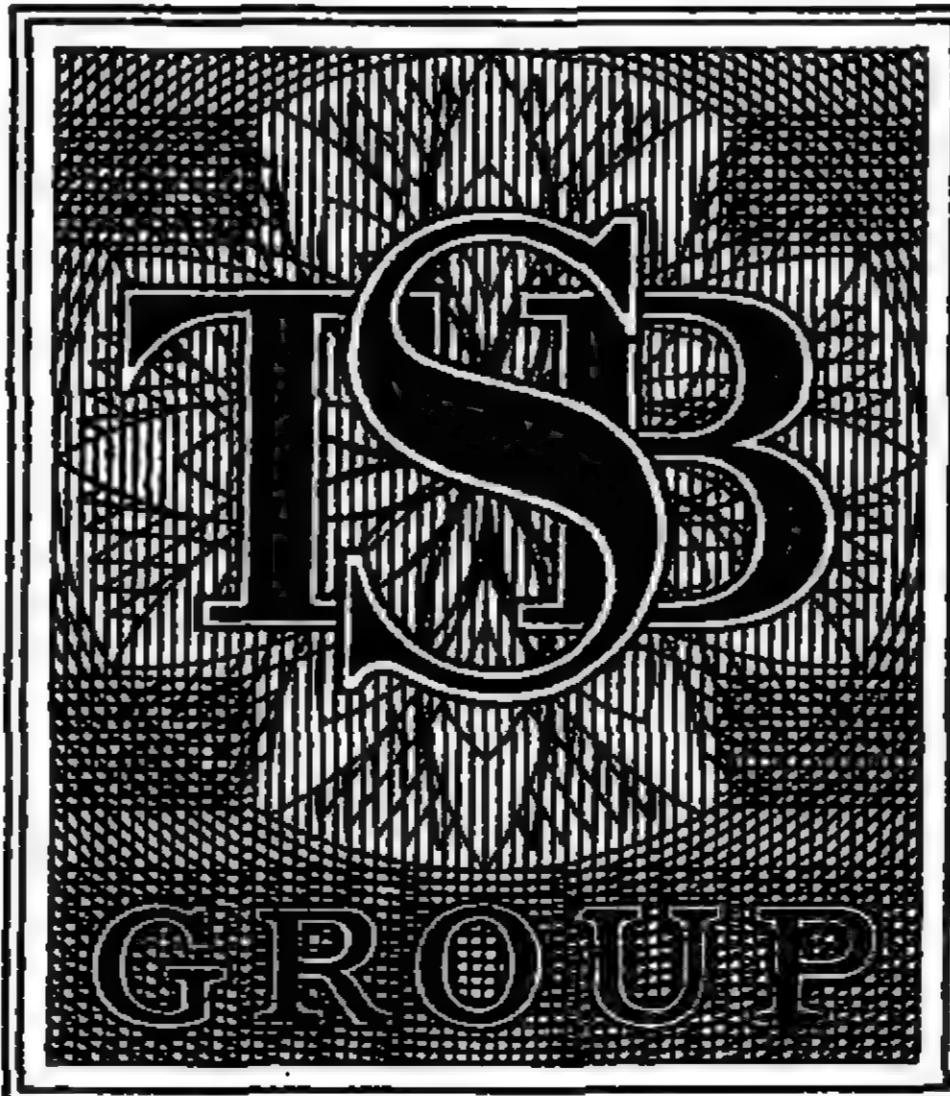
WEEKLY

WEEKLY

Two strings. One aim.



TSB Group have led
the way in offering both banking
and insurance services to its
customers. In both activities we
have just one objective.



To meet the needs of
our customers with a consistently
high level of service. A policy
that sees TSB and Hill Samuel
well armed for the future.

COMPANIES AND FINANCE

Canadian airlines merger stalls on buy-out proposal

By Bernard Simon in Toronto

CANADIAN Airlines International has stalled controversial merger talks with Air Canada to consider a buy-out proposal from a group of its employees backed by several Canadian provincial governments.

The pressure on Canada's two leading airlines either to merge or forge alliances with foreign carriers was underlined however, by continued heavy losses in the second quarter. The two carriers posted a combined loss of C\$163m (US\$137m) in the latest three-month period, and C\$40m in the first half of 1992.

PWA Corp of Calgary, Canadian's parent company, was pushed into Air Canada's embrace late last month after it called off negotiations for American Airlines of Dallas to acquire a significant minority shareholding.

Since then, the future of the two airlines has become a highly-charged political issue. Besides concern about the commercial implications of a monopoly carrier, the western provinces are nervous that they will suffer the heaviest job losses from a merger. The deal would probably leave Montreal-based Air Canada calling most of the shots.

PWA said late on Friday that Air Canada's merger terms were unacceptable. While the two airlines have not broken off talks, PWA said it will at the same time study a hastily-assembled proposal from its employees. This would include bridge financing from several

provinces, including Alberta and British Columbia, where the bulk of Canadian's operations are located.

Outsiders are speculating that PWA may also revive its talks with American.

Air Canada's second-quarter loss was C\$129m, or C\$1.73 a share, up from C\$30m, or 41 cents a share, a year earlier. The latest figure includes a charge of C\$31m to cover, among other things, staff cuts. The operating loss rose to C\$35m from C\$28m.

PWA lost C\$44m, or 74 cents a share, virtually unchanged from C\$34.7m, or 75 cents a share, the company said that without new financing, Canadian's ability to continue operating and meet its financial obligations in 1993 was "a matter of concern".

Delta Air pilots add conditions to pay deal

PILOTS at Delta Air Lines, one of three US "mega-carriers", have refused to make wage concessions until they have reviewed the company's finances - a process which could take some months, agencies report.

Delta, which took over Pan Am's transatlantic routes last year in a key expansion move, has recently been making heavy losses.

Having reported a \$506.3m loss after tax in the year to end-June, the airline announced plans last month for a 6 per cent staffing cut, greater use of contract services, more seasonal flights and other cost-cutting measures.

The airline is understood to have asked its pilots - the only group of its employees who are unionised - to delay a 5 per cent wage increase due to take effect in September.

Delta Air pilots add conditions to pay deal

In a recent letter to pilots, the company described the recent "fare wars" in the airline industry as an "economic bloodbath" which could threaten the company's future.

Traditionally, Delta has been viewed as one of the more benevolent airline employers, and its last pilots' contracts made Delta pilots the best paid in the US.

The pilots, however, have already agreed to extend that contract, originally due to expire in August 1993, to allow the carrier to digest the Pan Am assets.

Trans World Airlines has reached an agreement in principle with the 6,000-strong Independent Federation of Flight Attendants under which the union would acquire a 45 per cent equity stake in the carrier. TWA said the deal contemplated the workers giving 15 per cent wage, benefit and work rule concessions in exchange for the equity.

The airline said the flight attendants' union was the first of its three unions to agree to the deal. It said the deal remained subject to certain conditions, including bankruptcy court approval and execution of agreements with the carrier's other unions.

New European debit card player

David Barchard on the establishment of Europay International.

ONE of National Westminster Bank's most senior executives is to head a new inter-bank payments organisation being set up to create a new debit card for Europe and outflank debit card services offered by Visa International.

Mr Ron Williams, NatWest's director for payment services, has been appointed as the first chief executive of Europay International, a card payment organisation to be formed through a merger of Eurocard International, the European affiliate of MasterCard, and Eurocheque International.

Mr Williams is vice-chairman of the board of Eurocard, a consortium of European banks, led by the Big Three German banks. The main Eurocard banks are strongly opposed to the possible expansion of Visa International in Europe.

In Germany and several other north European countries, Eurocard dominates the market and Visa has relatively few members and cards in circulation. This contrasts with the UK, where Visa has a larger number of cards and member-banks than the MasterCard/Eurocard network and all large banks belong to both Visa and MasterCard.

Until recently, the Eurocard banks regarded paper Eurocheques, introduced in the 1960s, as the standard instrument for consumer payments.

Europay is an attempt to establish a new card-based electronic point-of-sale payment instrument. The aim is to head off the challenge from Visa and give consumers a means of making payment by debit card across Europe.

Europay will continue to issue Eurocheque products and Eurocards, but its main work will be to establish a standard

European debit card branding which is likely to include all debit card products not linked to the Visa network. The new company comes into operation on September 1.

Mr Williams says he expects around 90m European debit cards to be in the market by the end of 1993, about twice the number of Visa debit cards now in circulation.

The emergence of the European debit card comes on the heels of plans by MasterCard International, the global credit card system which owns a 15 per cent stake in Eurocard, to launch a new debit card brand called Maestro in North America.

Though Visa has offered debit cards, such as Barclays Connect, for several years, this is the first debit card in the MasterCard family. MasterCard has designed Maestro as a distinct card

brand which can operate independently of its credit cards. A formal system of interchange fees, the commission paid by a retailer's bank to the cardholder's bank each time a card is used, has been established.

The fee is a standard 1 per cent of the transaction for credit cards, but for Maestro it is expected to be around 0.5 per cent.

The introduction of the fee is expected to arouse protests from retailers who claim the fees enable banks to operate a cartel on their card payment services.

The European debit card will have its own branding, but it will be linked to Maestro's global network and each European debit card will carry the Maestro logo on its reverse.

Switch, the UK electronic debit card branding, is understood to be considering whether to link up with the European debit card.

Italian bank to expand in France

By Helg Simonian in Milan

ISTITUTO Bancario San Paolo di Torino, the Italian bank which floated some of its shares earlier this year, has confirmed its interest in expanding in France, possibly by acquiring Centrale de Banque, the loss-making retail banking chain owned by Soci t  G n rale.

The French bank has said that San Paolo was "inter-

ested" in buying the unit. However, a spokesman for San Paolo denied reports that negotiations on a purchase were already taking place.

San Paolo, which raised L1,525bn (\$1.4bn) by listing 20 per cent of its shares last March, has a 50-branch network in France through its Sanpaolo Banque subsidiary.

Most of its branches have come through the acquisition in recent years of Banque

Vernes and Banque Fran aise Commerciale, two small retail banking operations.

However, the company has indicated that it sees 100 branches as representing the minimum size for an acceptable retail banking presence in the French market.

Centrale de Banque has 730 employees and 50 branches, and it is thought their locations would fit well with San Paolo's network.

Citic wins autonomy from Beijing

CHINA has given Citic, the state-owned investment company most closely linked with economic reform policies, broad autonomy to borrow and invest without central government permission, the China Daily newspaper said, Reuters reports from Beijing.

China International Trust and Investment Corp, Beijing's most westernised company with businesses ranging from banking to real estate to satellites, can now borrow overseas without obtaining prior approval, as long as it keeps within a ceiling set for the five years ending in 1995.

Citic now also has complete autonomy to decide on invest-

ment projects under Yn200m (\$37m) at home and \$30m abroad, the official newspaper said.

It did not say what the five-year ceiling on borrowing was.

Mr Wei Mingyi, Citic president, said the organisation now had complete freedom to decide the amount of loans, their tenor, the market, the lead managing bank and the currency. Previously the government had to approve each case.

The lifting of investment restrictions will also speed Citic's business. Mr Wei said in the past it had sometimes taken months to receive

approval for even a \$1m project.

Citic hopes to have diversified investments around the world with its shares listed and traded on exchanges worldwide within a decade, the newspaper said.

The company last year benefited from the fast growth in China's economy and recorded one of its best results. Profits jumped 42.5 per cent to Yn368.9m from Yn258.8m, according to its latest annual report.

It recorded only 5 per cent profit growth in 1990 compared to 1989 because of a market slump and a domestic credit crunch.

approval for even a \$1m project.

Citic hopes to have diversified investments around the world with its shares listed and traded on exchanges worldwide within a decade, the newspaper said.

The company last year benefited from the fast growth in China's economy and recorded one of its best results. Profits jumped 42.5 per cent to Yn368.9m from Yn258.8m, according to its latest annual report.

It recorded only 5 per cent profit growth in 1990 compared to 1989 because of a market slump and a domestic credit crunch.

Norwegian insurer attacks ruling

By Karen Fossil in Oslo

VITAL FORSIKRING, Norway's second-biggest insurer, has issued a sharp warning that domestic insurance companies would be forced to halt stock market investment unless new regulations covering allocation of life insurance profits were amended.

Mr Bjørn Elvestad, Vital's president, said life insurance companies would have serious problems in maintaining their role as long-term investors in Norwegian companies because

of the current rules.

"The consequences of these regulations may be that insurance companies will be forced out of the stock market, and in that event an important source of funding for Norway's capital-overheated businesses will dry up," Mr Elvestad said.

Vital estimates the need for capital by large, domestic stock-listed companies during the next four years at Nkr100bn (\$17m).

New regulations, based on the Norwegian Insurance Act, now call for the policyholders' share of annual profits from

life insurance companies to be credited completely to the policyholder and on a continuing basis, based on market value.

These allocations will have to be made annually, as well as at the termination or transfer of an insurance contract.

"As unrealised gains are also to be distributed, companies' abilities to withstand major fluctuations in the securities' markets, will be reduced," Mr Elvestad said. He said the "market-value principle" imposes an unwanted short-term focus on the companies' share investments.

Sales advanced to C\$616m, compared with C\$585m. First-half profits rose to C\$40.7m, or 37 cents a share, up from C\$31.1m, or 23 cents, a year earlier, on sales of C\$1.2bn, against C\$1.16bn.

The latest period excluded a C\$48.5m special gain, which brought per-share earnings to C\$1.22.

Commercial printing in Canada and the US turned in the best performance, but publishing and other sectors also delivered improved results.

Quebecor includes 28 per cent of Donohue, a newspaper producer, in its figures.

Vital Forsikring declines 19%

By Karen Fossil

Premium income, however, rose to Nkr1.43bn from Nkr1.24bn while operating expenses were cut to Nkr275m from Nkr282m.

Vital said premium income jumped 16 per cent, with income from the sale of life insurances and pensions with single premiums increasing by 18 per cent and sales of insurance with annual premiums rose 15 per cent.

The company added that despite a drop in financial income the yield on total

assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

Assets increased to 9 per cent. Actual and estimated losses on loans at the half-year mark were just Nkr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to Nkr29m from Nkr11m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

INTERNATIONAL FINANCING

Private US debt market plugs the funding gap

LONG-TERM, fixed-rate money has been hard to find. Banks often do not want to lend it, and credit concerns have made them unwilling long-term lenders. Public bond markets are not interested unless the borrower is a top-class name, and even then do not provide money for longer than 10 years. So it is a relief to a growing number of European corporate treasurers that the private US debt markets are plugging the gap.

In 1985, foreign companies accounted for only 2.5 per cent of the debt placed privately in the US. The proportion has grown steadily ever since, save for a brief dip in 1990, reaching 18.1 per cent last year - or \$17.8bn.

British companies have led the way. The latest round of deals, announced in recent days, includes Pilkington (which had sought \$200m but increased the deal to \$300m due to demand), and Smiths Industries (which raised \$100m each). All have used the money to repay short-term borrowings.

In all, British companies raised nearly \$5bn last year. Swedish, Dutch and German companies managed another \$4bn between them.

Some 20 to 30 of the US's biggest insurers account for the bulk of the market. US insurers hold around two-thirds of their investments in fixed-income securities, compared with a typical holding of 15 to 20 per cent by UK insurers, and so have a vast appetite for new fixed-income investments. At the moment, many

non-US companies are getting a better reception from these insurers than US ones.

This is partly because the insurers have turned their back on higher-risk investments at home: US insurance industry regulators, prompted by insurance companies' junk bond losses, imposed new rules in 1990 on the credit quality of their investments.

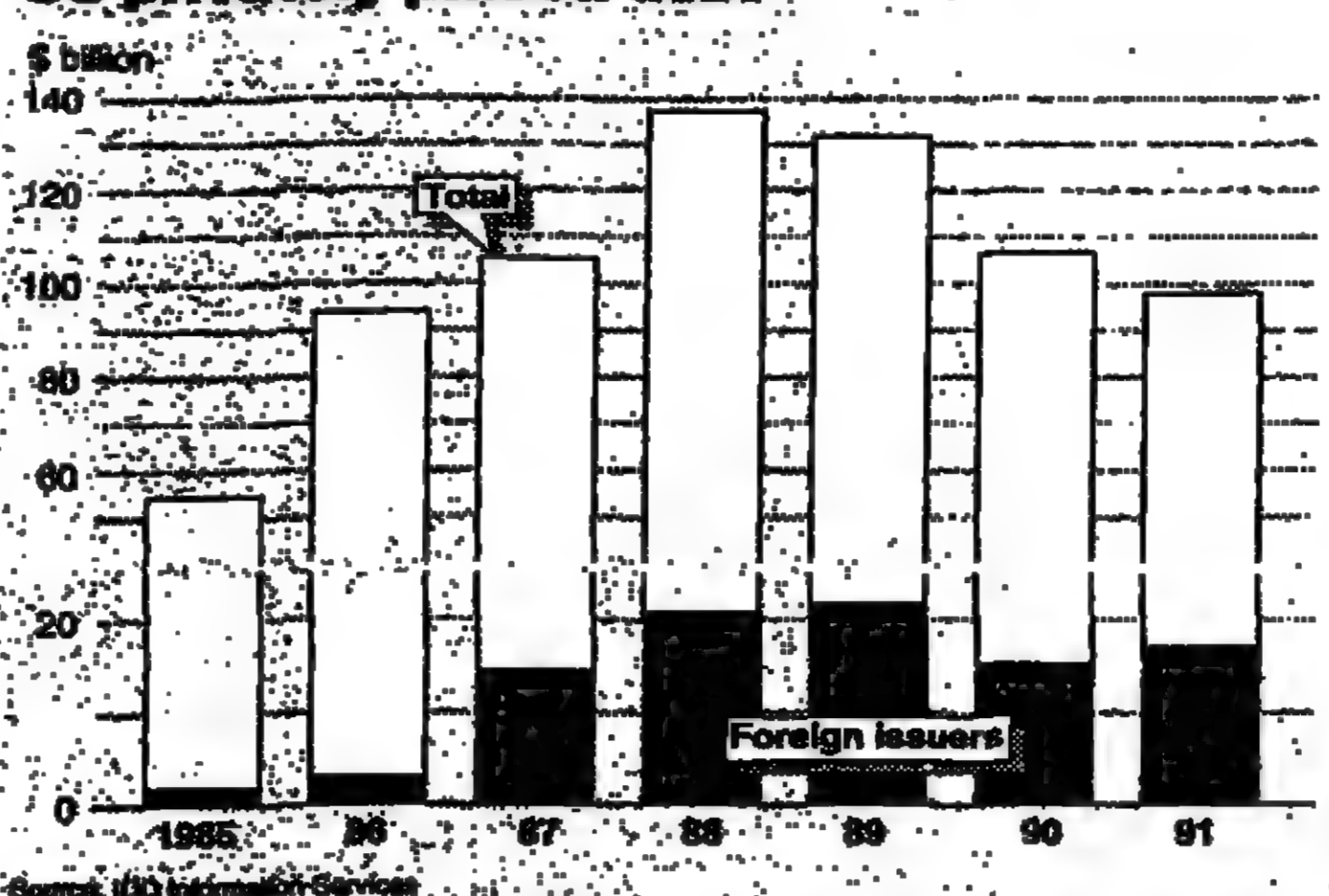
At the other end of the spectrum, many US companies with a better credit standing have turned to the public bond markets to take advantage of the high level of demand in the past two years.

That has left US investors short of domestic assets to buy. "Effectively, they are underinvested," says Mr William Cole, of Salomon Brothers.

One result is a new love-affair with foreign companies. Investors have begun to look overseas more actively for companies to invest in to replace the decline in US business - and investment banks have put more effort into developing deals to bring to the investors. Prudential Insurance Corporation of the US, for instance, now has a subsidiary in London to seek out investments. Among the deals it has been responsible for arranging was a \$100m 15-year facility last year for Scafa Group, a maker of coatings for pulp and paper.

For corporate treasurers, one of the attractions of private placements in the US has been the freedom from the Securities and Exchange Commission's disclosure

US privately placed debt



requirements. However, there are other drawbacks.

One is the type of covenant that investors demand. Typically, these include interest cover and gearing ratios that are more onerous than those imposed by unsecured bank lending. US investors also ask for a covenant governing "event risk", allowing them to opt for repayment in certain circumstances. These extra safeguards are perhaps not surprising given the disadvantaged position a long-term, unsecured creditor is in. "No one wants to be the longest lender to a corporation," says Mr Ron Tannenbaum, head of private placements at UBS in London.

Another potential drawback is the attention of ratings agencies. All debt securities held by insurance companies in the US are rated by the National Association of Insurance Commissioners: the ratings are used by regulators when setting each insurer's reserve requirements. Many deals are also paved over by ratings agencies, however.

In part, that is because more are issued under the SEC's rule 144a, which allows for a limited market to develop (about one-third of the issues by foreign companies last year were under this rule). Moody's Investors Service has caused some waves by issuing unsolicited ratings on private deals. At least one com-

pany, Usinor Saitlor, of France, withdrew a planned private placement when the agency said it would issue a rating.

Ratings by commercial agencies may already be desirable in the 144a market and in time could become standard, according to IBCA, the UK-based agency. If so, that could remove one of the current attractions of the market for investors.

In time, more European companies could turn to the private placement markets that are developing in their own back yard. One investment bank in London estimates the European market to be worth \$25bn to \$30bn a year. But it is what the bank calls a "private private market" (deals are not announced, unlike the US).

It is also highly fragmented: investors tend to prefer domestic investors, rather than those from overseas. And each domestic market has developed its own characteristics. For instance, the market for permanent interest-bearing shares (PIBs) issued by UK building societies, though nominally a public one, is to all intents and purposes a private market, with mainly UK institutional investors tucking the paper away into their portfolios.

Hence the strong German private placement market, or the developing one in the UK, are seldom open to foreign companies. Until that changes, the US will remain the most obvious source of long-term debt finance for many European companies.

Richard Waters

Anthony Harris

The British disease becomes endemic



GOOD news at last - in a way. The "surprising" fall in inflation was hailed, as the headlines had it, by the Treasury. The government's policies are working, they said; and that is just the trouble. The danger, as Roger Bootle (Midland Montagu's chief economist) pointed out last week, is not that ministers do not mean what they say (which is what the markets seem to fear), but that they do.

They will get their victory, only to achieve a Carthaginian peace. ("They made a wilderness and called it peace," says my dim memory of the classics.) The fall in inflation is unsurprising because it is the natural result of a slump, as dealers understood last Friday when they marked sterling down.

And that means there may be worse to come: not only a fall in inflation, which means a rise in real interest rates, but a greater risk of higher nominal rates, which will rack up real rates still higher. And then, if the French vote down Maastricht next month.

Ministers are no doubt praying that the French vote will go the "right" way; but, in fact, it is hard to know which is the frying pan and which the fire. Either we face a full-blown sterling crisis, or else we are stuck with Maastricht convergence conditions, and German monetary policy. Unappetising is a very mild word for it.

The Maastricht conditions are bad enough. They are illogical, as the IMF used to be in the worst days of de la Rostiere debt phobia. Now the IMF is more enlightened. It calculates that the rules will reduce growth all over Europe by about 1 per cent annually - bearable in normal conditions, but dreadful in a recession, and probably an under-estimate anyway. They reflect not economic logic, but a mixture of German horror at the Italian national debt, and Dutch Puritanism (always the most extreme in my experience) - a grim combination.

German monetary policy, though, is worse. Four years ago, an enlightened veteran of the Bundesbank council explained German monetary policy to an

admirer group of central bankers. The great thing, he explained, was to have a clear, consistent policy over the years; and an official able to explain convincingly why, at any given moment, it was not being followed. This seems an ideal blend of apparent rigour and practical common sense.

Things have changed, sadly, since then. The policy is no longer consistent, and the commonsense has gone out of the window. The Bundesbank has swapped targets, as the Bank of England used to do so regularly; and in doing so, it has adopted a policy, trying to deflate broad money through high interest rates, which can only work (if it works at all) through provoking a sharp recession.

This is obvious in theory: high rates make interest-bearing bank deposits more attractive, and market investment less so, so raising rates tends to inflate broad money, as long as the banks still see acceptable lending opportunities, which dry up only in a recession.

What is more, this effect has repeatedly been demonstrated by the Bank of England (remember the Thatcher monetary targets?). Mr Paul Volcker fell into the same trap when President Carter turned him loose. He squeezed, and broad money ballooned. His sudden enlightenment exactly 10 years ago, triggered by the Mexican debt crisis (and memorably forecast by Dr Henry Kaufman, with dramatic results on Wall Street) started a worldwide fall in rates, and so ended the worst world recession until this one.

An example for Buba, now faced with recession and actual falling prices? Probably not, alas, because Volcker's timely relaxation was sustained until it caused the world asset inflation.

Is it ignorance that causes these huge policy errors? Surely not, after all this time. The common factor in all these episodes is not economic doctrine, but emotion.

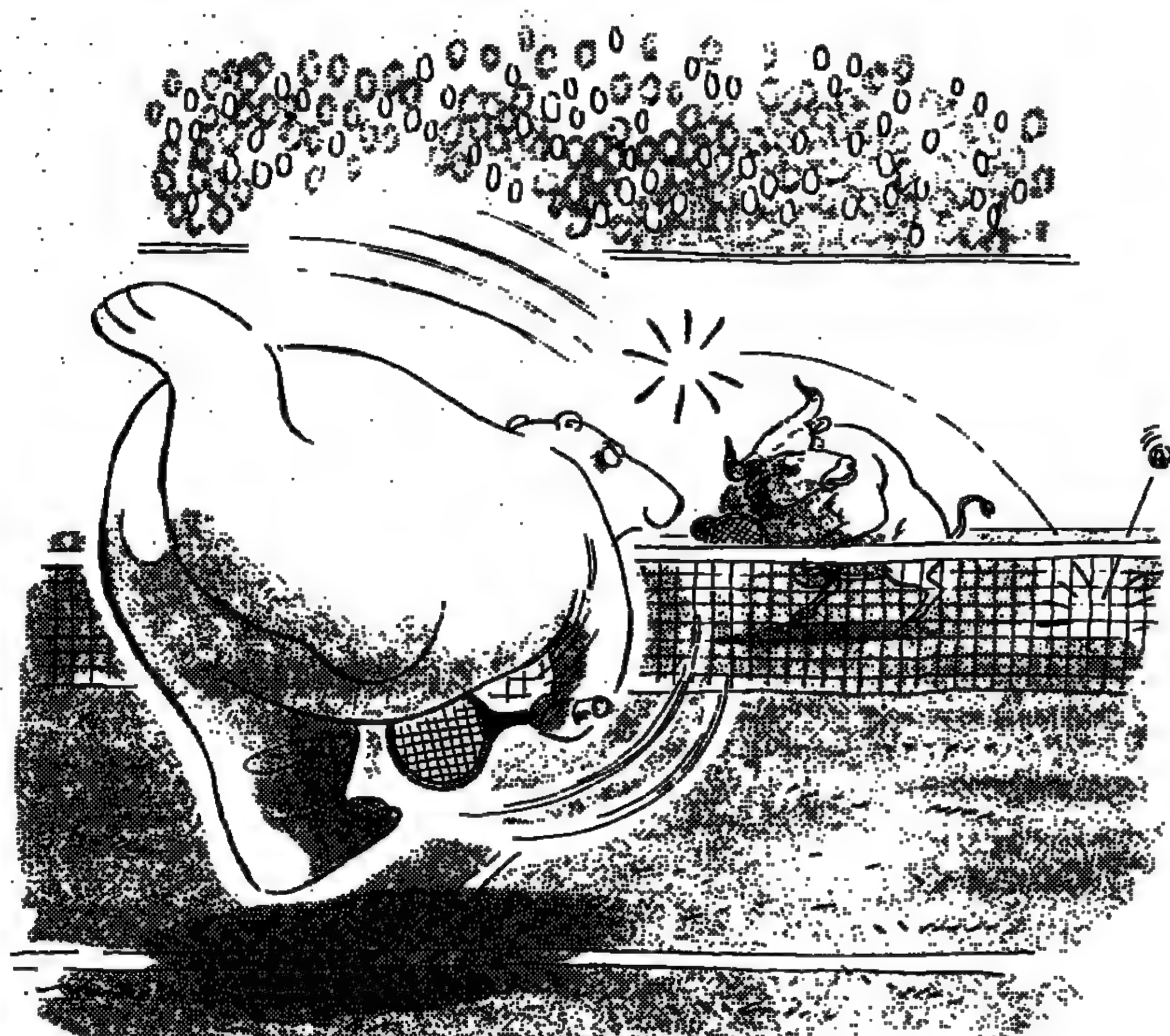
In all of them, the central bank saw itself as the only power able to save its nation from an irresponsible government, and adopted a policy designed to put the government on the rack.

This used to be a purely British syndrome. It now seems to be endemic on this side of the Atlantic.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
SFA Master Trust (AR)	50	1998	4.25	(a)	99.75	SBC	-
Toyoko Kanabai KK	100	1996	4	2 1/4	100	Yamaichi Int'l	2.25
World Bank (H)	400	2002	10	(b)	100	Goldman Sachs Int'l	-
Philip Morris Cap Corp	200	1999	7	8 1/4	101.10	UBS Phillips & Drew	8.425
Allied Lyons Fin (H)	150	1997	5	8 1/2	101.22	CSFB	8.200
NMB Postbank Group (H)	200	2002	10	(c)	100	Merrill Lynch	-
DG Bank (H)	75	2002	10	(d)	100	Goldman Sachs Int'l	-
Nat'l Inv. Inv. (H)	100	2002	10	(e)	100	Morgan Stanley Int'l	-
Dresdner Bank AG (H)	200	2002	10	(f)	100	Dresdner Bank	-
Eurofima (H)	200	2002	10	(g)	101.425	SBC	-
STERLING							
Compagnie Bancaire (H)	100	1996	3	(d)	100	UBS Phillips & Drew	-
YEN							
Cent Japan Railway Co	200m	2002	10.25	5.80	101 1/2	Nomura Int'l	5.699
Toray Indust. (I)	150m	1997	5.25	(f)	100 1/4	Nomura Int'l	-
Mitsui O.S.K. Lines (H)	150m	1997	5	(g)	100.15	Daiwa Europe	-
SWISS FRANCES							
Xelco Co Ltd (H)	70	1998	4	4 1/4	100	Nomura Bk (Switz)	-
Xelco Co Ltd (H)	70	1998	4	3 3/4	100	Nomura Bk (Switz)	3.625
D-MARKS							
Nippon Zeon (H)	50	1996	4	(j)	100.15	Dai-ichi Kangyo Bk	-
Petrofina Delaware	200	1997	5	9	101 1/2	Deutsche Bank	8.524
CANADIAN DOLLARS							
Deutsche Bank Fin. Inv. (H)	100	2002	10	(h)	100	Deutsche Bank AG	-
AUSTRALIAN DOLLARS							
SAFA (H)	150	2002	10	9	101.56	Hambros Bank	8.761
SELEC Comm. of Victoria	100	2003	11	9 1/4	101.40	Hambros Bank	9.044
GUILDERS							
Aegon NV (H)	500	2004	12	(i)	100.70	ABN Amro	-
LUXEMBOURG FRANCES							
Fin. Danish Industry (H)	1bn	1995	3.167	8.5	102.05	Credit European	8.711

***Private placement. **Convertible. With equity warrants. (Floating rate note. @Variable rate note. (Final terms at Backed by credit receivables. Coupon pays 40bp above 3 month Libor. Fungible with existing issue on 26/9/1992. Callable 22/9/1995. (i) Coupon pays 30bp below 3 month Canadian Bankers Acceptance rate. Minimum interest rate 5.525%. Maximum 9.90%. (j) 50m tranche issued 11/8/1992. (k) Coupon payable semi-annually. Notes carry a put option on 30/9/1994 at 100%, to yield 8.962. (l) Coupon pays 1/4 above 3 month Libor. (m) Full name of borrower, South Australian Government Financing Authority. Amount increased from A\$125m. Non-callable. Coupon pays 50bp below 3 month Libor. (n) Coupon pays 1/4 below 6 month Libor. Coupon payable semi-annually. Amount increased from \$100m. Minimum interest rate of 5 1/4%, maximum of 10%. (o) Coupon pays a flat 3 month Libor rate. Minimum interest rate of 5 1/4%, maximum of 10 1/4%. (p) Coupon pays 6 month Australian Interbank offered rate for years 1 & 2, payable semi-annually, then pays a flat 3 month Libor. Minimum interest rate 5 1/4%, maximum 10%. (q) Coupon pays 0.2% above the Yen 3 month Libor rate. (r) Coupon pays 1/4 below 3 month Libor. Minimum interest rate 5%, maximum 10%. Amount increased from \$150m. (s) Coupon pays 30bp above 3 month Libor. (t) Coupon pays 3 month DM Libor less 2.65% paid in US Dollars. Maximum interest rate 5 1/4%. Note: yields calculated on ISMA basis.



Our service is hard to beat.

When it comes to service, Bank Julius Baer has a way of coming up with aces. In fact, it's hard to beat the individual attention we give our clients. Backed by a century of experience, Bank Julius Baer provides sound expertise and in-depth advice in the classic tradition of Swiss banking.

Bank Julius Baer: Our service is a winner.



BANK JULIUS BAER

For the Fine Art of Swiss Banking

Zurich, Bahnhofstrasse 34, CH-8001 Zurich, Tel. (01) 220 51 11
London, Bank House, Bank, London EC2A 4BN, Tel. 071-612 4211
New York, 500 Madison Avenue, New York, NY 10022, Tel. 212-677-6000
Geneva, 10, Rue de la Paix, CH-1201 Geneva, Tel. 022-733 11 11
Tokyo, 10F, 1-10-1, Marunouchi, Chiyoda-ku, Tokyo 100, Japan, Tel. 03-5561-1111

A Member of SBA

This advertisement is issued in compliance with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland (the "London Stock Exchange") and does not constitute an invitation to any person to subscribe for, or purchase, any securities.

Application has been made to the London Stock Exchange for the Shares and Warrants in Czechoslovakia Investment Corporation Inc. (the "Company") to be admitted to the Official List. Such admission to become effective and dealings in the Shares and Warrants are expected to begin on 20th August, 1992. No application has been made for the Units to be admitted to the Official List.

Czechoslovakia Investment Corporation Inc.

(an exempted company incorporated with limited liability under the laws of the Cayman Islands with registered number 394551)

Placing of 614,700 Units
by Robert Fleming & Co. Limited

at a price of US\$50 per Unit
payable in full on subscription

Each Unit will consist of five ordinary shares
issued at a price of US\$10 each and one warrant attached
entitling the holder to subscribe for one further Ordinary Share
at a price of US\$10 (subject to adjustment)
at any time from 20th August, 1992
up to and including 19th August, 1997

The Prospectus dated 12th August, 1992 may be obtained during normal business hours from the Company Announcements Office of the London Stock Exchange, London Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lane, London EC2, by collection only, up to and including 19th August, 1992, or during usual business hours on any weekday until 1st September, 1992 from:

Robert Fleming & Co. Limited
25 Copthall Avenue
London EC2R 7DR

Czechoslovakia Investment Corporation Inc.
PO Box 309
Grand Cayman
Cayman Islands
British West Indies

Particulars relating to the Company will be included in the Companies Fiche Service available from Ertel Financial Limited, 37-45 Paul Street, London EC2A 4DB from 1500 hours on 18th August, 1992.

17th August, 1992

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Treasury market faces test of nerve

SOME people, it seems, are never satisfied. Despite the fact that Mr Alan Greenspan, chairman of the Federal Reserve, has sanctioned more interest rate cuts in the past 18 months than any of his predecessors over a comparable period, and despite borrowing costs being at their lowest level for almost 30 years, the call has gone up again for another policy ease.

The politicians, of course, are still unhappy with the Fed for not doing more to boost economic activity, but in an election year that is to be expected.

The economic pundits in the media also continue to press for further rate cuts, while plenty of their counterparts on Wall Street agree that more should be done to breathe fresh life into the weak recovery.

All argue that recent economic indicators show interest rates need to go lower if consumers are to be persuaded to dig into their wallets and pick up their spending.

Some go even further, such

as Mr Ed Yardeni, the chief economist at brokerage house C.J. Lawrence. Commenting on last week's "disappointing" 0.4 per cent rise in July industrial production, Mr Yardeni said: "Manufacturing production is at a standstill. Weak early August car sales are not encouraging. We believe lower interest rates are needed just to sustain slow growth in the economy."

The chances of a new cut in rates, however, are slim.

For one, the sustained and troubling weakness in the dollar has left the Fed with less room to manoeuvre. Regular and co-ordinated intervention by US and European central banks to support the ailing currency during the past few weeks has shown how concerned the monetary authorities are by the steady decline in the dollar.

The Fed is unlikely to give the green light to another interest rate reduction, which would make the dollar even less attractive to overseas

investors, at a time when central banks worldwide are working hard at propping up the US currency.

Second, the Treasury market is becoming more nervous about the outlook for efforts to reduce the budget deficit as the election battle heats up, and so another policy ease may not bring long-term market rates down much further.

Last week was a clear example of how the bond market is unwilling to push long-term rates substantially lower.

On Thursday, the 30-year bond nose-dived after Mr James Baker, the new chief of staff at the White House, said tax cuts should be the centrepiece of President George Bush's re-election campaign and second term.

His comments immediately drew fire from bond analysts.

Mr Mitchell Held, of Smith Barney, said that "if Baker's statement is meant to imply that attempts to balance the budget will begin to play second fiddle to the need for new federal fis-

cal stimulus to undo the economy's lethargy, then the fixed-income market's disapproval has only begun to be heard."

More of that disapproval could be on display over the next few days during the Republican Party convention.

The market is particularly concerned that the president may announce during his acceptance speech a tax cut as part of a package of economic stimuli aimed at recapturing the ground lost in the polls to Democratic nominee Governor Bill Clinton.

Rumours that he may do just that were flying around Houston yesterday as delegates arrived for the convention, as was speculation that the president is ready to recommence hostilities with Iraq.

It looks as though the next five days will be a test of the Treasury market's nerve - if it breaks, bond yields could head back up through 7.5 per cent in a hurry.

Patrick Harverson

UK GILTS

Auction targets domestic investors

TOMORROW, the Bank of England will announce the full details of its next auction of gilt-edged stock, scheduled for August 28.

So far, the Bank has said the stock will be a conventional gilt with a maturity of more than 15 years. Market participants are expecting the Bank to auction £2.5bn of the 8 per cent gilt due 2017, although the 9 per cent gilt due 2008 is seen as a possible alternative.

Whichever is chosen, the fact remains that this is the third auction in a row to be aimed at domestic - rather than foreign - investors.

Overseas investors tend to prefer 10-year or shorter-dated stocks, and the Bank has successfully pitched some of its past gilt sales at foreign-ers by selecting these maturities.

Indeed, foreigners were significant buyers of gilts last year and in the early part of 1992. However, their interest in the gilt market showed clear signs of waning in the second quarter with sales to overseas investors dropping sharply in April and May.

Even though gilt purchases by overseas investors picked up again in June, market-makers point out that North American and Far Eastern investors remain apprehensive about the European government bond markets in general, ever since the Danes voted against ratification of the Maastricht Treaty and put a question-mark over the future of European economic

UK gilts yield

Restated at per (%)

10.0

9.5

9.0

8.5

8.0

7.5

7.0

6.5

6.0

5.5

5.0

4.5

4.0

3.5

3.0

2.5

2.0

1.5

1.0

0.5

0.0

-0.5

-1.0

-1.5

-2.0

-2.5

-3.0

-3.5

-4.0

-4.5

-5.0

-5.5

-6.0

-6.5

-7.0

-7.5

-8.0

-8.5

-9.0

-9.5

-10.0

-10.5

-11.0

-11.5

-12.0

-12.5

-13.0

-13.5

-14.0

-14.5

-15.0

-15.5

-16.0

-16.5

-17.0

-17.5

-18.0

-18.5

-19.0

-19.5

-20.0

-20.5

-21.0

-21.5

-22.0

-22.5

-23.0

-23.5

-24.0

-24.5

-25.0

-25.5

-26.0

-26.5

-27.0

-27.5

-28.0

-28.5

-29.0

-29.5

-30.0

-30.5

-31.0

-31.5

-32.0

-32.5

-33.0

-33.5

-34.0

-34.5

-35.0

-35.5

-36.0

-36.5

-37.0

-37.5

-38.0

-38.5

-39.0

-39.5

-40.0

-40.5

-41.0

-41.5

-42.0

Gilt Purchases

£bn

3.0

2.0

1.0

0.0

-1.0

-2.0

-3.0

-4.0

-5.0

-6.0

-7.0

-8.0

-9.0

-10.0

-11.0

-12.0

-13.0

-14.0

-15.0

-16.0

-17.0

-18.0

-19.0

-20.0

-21.0

-22.0

-23.0

-24.0

-25.0

-26.0

-27.0

-28.0

-29.0

-30.0

-31.0

-32.0

-33.0

-34.0

-35.0

-36.0

-37.0

-38.0

-39.0

-40.0

-41.0

-42.0

-43.0

-44.0

-45.0

-46.0

-47.0

-48.0

-49.0

-50.0

-51.0

-52.0

-53.0

-54.0

-55.0

-56.0

-57.0

-58.0

-59.0

-60.0

-61.0

-62.0

-63.0

-64.0

-65.0

-66.0

-67.0

-68.0

-69.0

-70.0

-71.0

-72.0

-73.0

-74.0

-75.0

-76.0

-77.0

-78.0

-79.0

-80.0

-81.0

-82.0

-83.0

-84.0

-85.0

-86.0

-87.0

-88.0

-89.0

-90.0

-91.0

-92.0

-93.0

-94.0

-95.0

-96.0

-97.0

-98.0

-99.0

-100.0

ket for most of last week, the release of such favourable RPI figures - coinciding with good inflation data from Germany - helped to push gilt prices up by over a point on Friday.

"The prospects for inflation do genuinely look good - so investors are being given the chance to lock into irresistible [gilt] yields at a time of real uncertainty over equities," says one UK economist.

Since the government started borrowing in the gilt market again, UK institutions have been keen to see an improvement in the liquidity of certain long-dated gilts and some of them hinted to the Bank that they wanted to see the creation of an "extra-long" issue, thereby extending the government debt maturity profile.

At the last two auctions, their wishes were granted. On April 29, the Bank auctioned £2.5bn of the newly-created 8 per cent gilt due 2017, the "super-long" gilt; the bonds were taken up mainly by UK insurance companies looking for long-dated paper to match their liabilities.

The following auction - on June 24 - of £2.75bn of the 9 per cent gilt due 2012, was also dominated by domestic investors.

No doubt the Bank is hoping fund managers stick to their guns and increase their gilt allocations at this month's auction too.

Sara Webb

JAPANESE BONDS

Profit-taking may check strong rally

JAPANESE government bonds have rallied strongly recently, reaching levels last seen in early 1989 as the plunge in the Tokyo stock market has raised hopes of a monetary easing.

The slide in the leading Nikkei 225 average below the psychologically important 15,000 level last week - over 60 per cent off its peak - has prompted speculation of a further cut in the official discount rate. At the end of last week, rumours circulated that the Bank of Japan might cut the reserve requirements for commercial banks, adding to speculation about lower interest rates.

The yield on the No 129 benchmark bond closed last week at a record low of 4.82 per cent, down from 4.905 per cent. The yield was the lowest for a benchmark issue since January 1989.

Sagging consumer confidence has also raised hopes of action by the monetary authorities. Until recently, government officials had been confident that firm consumer

Japanese Benchmark Bond

Redemption yield

5.8%

5.6%

5.4%

5.2%

5.0%

4.8%

4.6%

4.4%

4.2%

4.0%

3.8%

3.6%

18

Index	1,516,300	84	—	1/4	Falls	925	908	911																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				</
-------	-----------	----	---	-----	-------	-----	-----	-----	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	----

هكذا من الأهل

© Current Unit Trust prices are available on FT Cityline, call 0891 123456. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2129

© Current Unit Trust prices are available on FT Cityline, call 0891 123456. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2129

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0801 123456. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2120

[illegible]

FINANCIAL TIMES MONDAY AUGUST 17 1992

1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040 2041 2042 2043 2044 2045 2046 2047 2048 2049 2050 2051 2052 2053 2054 2055 2056 2057 2058 2059 2060 2061 2062 2063 2064 2065 2066 2067 2068 2069 2070 2071 2072 2073 2074 2075 2076 2077 2078 2079 2080 2081 2082 2083 2084 2085 2086 2087 2088 2089 2090 2091 2092 2093 2094 2095 2096 2097 2098 2099 2100 2101 2102 2103 2104 2105 2106 2107 2108 2109 2110 2111 2112 2113 2114 2115 2116 2117 2118 2119 2120 2121 2122 2123 2124 2125 2126 2127 2128 2129 2130 2131 2132 2133 2134 2135 2136 2137 2138 2139 2140 2141 2142 2143 2144 2145 2146 2147 2148 2149 2150 2151 2152 2153 2154 2155 2156 2157 2158 2159 2160 2161 2162 2163 2164 2165 2166 2167 2168 2169 2170 2171 2172 2173 2174 2175 2176 2177 2178 2179 2180 2181 2182 2183 2184 2185 2186 2187 2188 2189 2190 2191 2192 2193 2194 2195 2196 2197 2198 2199 2200 2201 2202 2203 2204 2205 2206 2207 2208 2209 2210 2211 2212 2213 2214 2215 2216 2217 2218 2219 2220 2221 2222 2223 2224 2225 2226 2227 2228 2229 2230 2231 2232 2233 2234 2235 2236 2237 2238 2239 2240 2241 2242 2243 2244 2245 2246 2247 2248 2249 2250 2251 2252 2253 2254 2255 2256 2257 2258 2259 2260 2261 2262 2263 2264 2265 2266 2267 2268 2269 2270 2271 2272 2273 2274 2275 2276 2277 2278 2279 2280 2281 2282 2283 2284 2285 2286 2287 2288 2289 2290 2291 2292 2293 2294 2295 2296 2297 2298 2299 2300 2301 2302 2303 2304 2305 2306 2307 2308 2309 2310 2311 2312 2313 2314 2315 2316 2317 2318 2319 2320 2321 2322 2323 2324 2325 2326 2327 2328 2329 2330 2331 2332 2333 2334 2335 2336 2337 2338 2339 2340 2341 2342 2343 2344 2345 2346 2347 2348 2349 2350 2351 2352 2353 2354 2355 2356 2357 2358 2359 2360 2361 2362 2363 2364 2365 2366 2367 2368 2369 2370 2371 2372 2373 2374 2375 2376 2377 2378 2379 2380 2381 2382 2383 2384 2385 2386 2387 2388 2389 2390 2391 2392 2393 2394 2395 2396 2397 2398 2399 2400 2401 2402 2403 2404 2405 2406 2407 2408 2409 2410 2411 2412 2413 2414 2415 2416 2417 2418 2419 2420 2421 2422 2423 2424 2425 2426 2427 2428 2429 2430 2431 2432 2433 2434 2435 2436 2437 2438 2439 2440 2441 2442 2443 2444 2445 2446 2447 2448 2449 2450 2451 2452 2453 2454 2455 2456 2457 2458 2459 2460 2461 2462 2463 2464 2465 2466 2467 2468 2469 2470 2471 2472 2473 2474 2475 2476 2477 2478 2479 2480 2481 2482 2483 2484 2485 2486 2487 2488 2489 2490 2491 2492 2493 2494 2495 2496 2497 2498 2499 2500 2501 2502 2503 2504 2505 2506 2507 2508 2509 2510 2511 2512 2513 2514 2515 2516 2517 2518 2519 2520 2521 2522 2523 2524 2525 2526 2527 2528 2529 2530 2531 2532 2533 2534 2535 2536 2537 2538 2539 2540 2541 2542 2543 2544 2545 2546 2547 2548 2549 2550 2551 2552 2553 2554 2555 2556 2557 2558 2559 2560 2561 2562 2563 2564 2565 2566 2567 2568 2569 2570 2571 2572 2573 2574 2575 2576 2577 2578 2579 2580 2581 2582 2583 2584 2585 2586 2587 2588 2589 2590 2591 2592 2593 2594 2595 2596 2597 2598 2599 2600 2601 2602 2603 2604 2605 2606 2607 2608 2609 2610 2611 2612 2613 2614 2615 2616 2617 2618 2619 2620 2621 2622 2623 2624 2625 2626 2627 2628 2629 2630 2631 2632 2633 2634 2635 2636 2637 2638 2639 2640 2641 2642 2643 2644 2645 2646 2647 2648 2649 2650 2651 2652 2653 2654 2655 2656 2657 2658 2659 2660 2661 2662 2663 2664 2665 2666 2667 2668 2669 2670 2671 2672 2673 2674 2675 2676 2677 2678 2679 2680 2681 2682 2683 2684 2685 2686 2687 2688 2689 2690 2691 2692 2693 2694 2695 2696 2697 2698 2699 2700 2701 2702 2703 2704 2705 2706 2707 2708 2709 2710 2711 2712 2713 2714 2715 2716 2717 2718 2719 2720 2721 2722 2723 2724 2725 2726 2727 2728 2729 2730 2731 2732 2733 2734 2735 2736 2737 2738 2739 2740 2741 2742 2743 2744 2745 2746 2747 2748 2749 2750 2751 2752 2753 2754 2755 2756 2757 2758 2759 2760 2761 2762 2763 2764 2765 2766 2767 2768 2769 2770 2771 2772 2773 2774 2775 2776 2777 2778 2779 2780 2781 2782 2783 2784 2785 2786 2787 2788 2789 2790 2791 2792 2793 2794 2795 2796 2797 2798 2799 2800 2801 2802 2803 2804 2805 2806 2807 2808

هكذا من الأصل

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on next page

NASDAQ NATIONAL MARKET

PI SECT										PI SECT										PI SECT										
Adv.	Div.	E	100s	High	Low	Last	Chng	Stock		Adv.	Div.	E	100s	High	Low	Last	Chng	Stock		Adv.	Div.	E	100s	High	Low	Last	Chng	Stock		
Albany	0.44	0.22	137	187	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22	22	22	22	22	22	22
Albany	0.16	0.08	122	181	37	-12		Dynegy	0.4	12	12	91	28	28				East	0.15	17	16	23	20	22						

4:00 pm prices August 14

[illegible]

